

DUNEDIN RETAIL TRENDS

DUNEDIN RETAIL LAND USE STUDY

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pwc

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CONTENTS



17 RETAIL AREAS OVERVIEW



25 CATEGORY CHANGES



19 SPENDING TRENDS



48 HIGH STREET RETAIL

1.0	EXECUTIVE SUMMARY	5	3.1	TERM TRENDS OUTLOOK	21	7.0	TOWN AND CITY CENTRE DYNAMICS	41
1.1	SUMMARY	8	3.2	IMPLICATIONS	22	7.1	GEORGE STREET	42
1.2	REPORT NAVIGATION	9	3.3	AUDIENCE	23	7.2	SOUTH DUNEDIN	44
1.3	LARGE FORMAT SUMMARY	10	3.4	CATEGORY CHANGES	25	7.3	HIGH STREET RETAIL	47
1.4	AT-A-GLANCE SUMMARY	11	3.5	SPENDING TRENDS	26	8.0	FLEXIBLE WORKING IMPACTS	49
2.0	FORWARD	13	4.0	LARGE FORMAT RETAIL (LFR)	29	9.0	LAND-EXTENSIVE USES	52
2.1	BUSINESS LAND CAPACITY ASSESSMENT	14	4.1	SUPERMARKETS	30	9.1	VEHICLE SALES, RENTAL AND SERVICE	53
2.2	OBJECTIVES	14	4.2	GENERAL LARGE FORMAT RETAIL	32	9.2	SERVICE STATIONS AND FUEL STOPS	54
2.3	METHODOLOGY	15	5.0	E-COMMERCE	34	9.3	QUICK SERVICE RESTAURANTS (QSR)	55
2.4	RETAIL AREAS OVERVIEW	17	6.0	TRADE RELATED RETAIL	38	10.0	REFERENCE DATA - SPEND BY CATEGORY	56
3.0	RETAIL TRENDS	20	6.1	TRADE SUPPLIES	39	11.0	REFERENCES - END NOTES	64

GLOSSARY

Artisinal retail and hospitality	Typically smaller-scale enterprises that differentiate through culture, creativity, provenance and values.
Consolidation	Retailers with multiple sites or brands, bringing these together into fewer or single locations for efficiency.
Consumer price index (CPI)	Measures the average change over time in the prices of goods and services typically bought by households.
Dark kictchens and stores	Non-consumer-facing sites that produce or assemble products, that are ordered online for delivery directly to customers.
Dunedin 2nd Generation Plan	The Second Generation Plan was developed to update the original Dunedin City District Plan, which was created in 1999. The new plan was adopted in 2006 and has since been updated several times. It is designed to balance the needs of the community with the goals of sustainable development and environmental protection.
Experience-led consumer offer	Businesses that deliver an experiential offer and/or environment that differentiates and consumers are drawn to.
Habitual destinations	Cafes and gyms are an example of habitual destinations with consistent, reliable audiences that help activate and enrich areas.
Large format retail (LFR)	Stores that offer a wide range of merchandise across a vast space, with a focus on low prices, convenience, and bulk purchases.
Quick service restaurants (QSR)	Quick service restaurants typically have a limited menu of simple and easy-to-prepare dishes and a focus on speed and convenience.
Return on investment (ROI)	This is a metric that businesses use to measure the profit or loss generated from an investment.
Resource Management Act (RMA)	New Zealand law that regulates the use and development of natural and physical resources in a sustainable way.
Secondary retail space	Non-prime retail tenancies - typically located within centres, in side streets, upper-floor areas or emerging precincts.
Turnover rents	Rental that is largely based on sales performance of the tenant, where both the landlord and occupant share in risk and profit.
Vertical retailers	Retailers that are involved in multiple stages of the design, production and distribution of products usually unique to that brand.
Vertical dominance	Vertical retailers occupying a majority of retail space within a precinct or centre.

1.0 | EXECUTIVE SUMMARY

BACKGROUND

Dunedin City Council (the Council) needs to be able to make informed planning decisions for the provision of zoned land for different retail sectors. A recent business development capacity assessment concluded there is potentially a retail supply shortage in the longer term for more large format retail space.

The Council are aware that the needs of different retail sectors and customers are changing through increasing distribution channels, flexible work and study and other trends that influence how, where and when consumers buy goods, services and experiences. This report develops a comprehensive analysis of these trends – specific to the Dunedin marketplace and audience.

RETAIL ENVIRONMENT AND ECONOMY

Dunedin's geographic ability to concentrate consumers and commercial activity has created a successful retail economy, however the influence of seasonal audiences, development constraints and limited population growth have challenged the evolution of consumer environments and destinations at a pace that other main centres in New Zealand have experienced.

DUNEDIN RETAIL TRENDS

After a buoyant trading period post-pandemic, Dunedin is experiencing changes in consumer confidence as inflationary pressures affect people's ability to spend. Discretionary goods and services are particularly affected.

Total spending volumes in the CBD have only just returned to those that were achieved pre-pandemic, however transaction volumes have declined. Flexible working and increased regional competition are factors impacting recovery. Most retailers in this area are in discretionary and more vulnerable categories including apparel, which have declined in demand.

In contrast, spending across the wider Dunedin City area – that includes suburban centres, most supermarkets and predominant large format retail (LFR) clusters, has risen.

Any growth should be considered within a high inflation context and does not reflect actual business performance. Most retailers and hospitality operators are suffering cost pressures that are impacting confidence and profitability.

Despite challenges, new retailers have been attracted to the CBD including national brands, while some existing retailers have upgraded their presence and environments through the increased availability of improved or better-located space.

LARGE FORMAT RETAIL (LFR)

Dunedin's LFR is distributed between the CBD Edge Commercial South (CEC South) – including the characterful Warehouse Precinct and along Andersons Bay Road – both relatively close and convenient to the City Centre.

Past constraint in areas suitable for LFR helped regenerate the Warehouse Precinct – an area that includes some heritage buildings, and maintain its usefulness and vibrancy.

Most nationally represented LFR brands operate in Dunedin and have managed to work successfully around limitations in space, accessibility and the store formats that exist there.

High land and development costs, coupled with difficulties in achieving suitable returns on investment have limited the ability and appetite for developers to construct new LFR buildings. These challenges continue with construction costs remaining uneconomic for projects of complexity and scale.

Retailers find Dunedin's higher costs – relative to its catchment, challenging. Chains have managed this through rationalising representation, smaller stores and solutions such as off-site storage and customer collection warehouses.

While a new supermarket is planned by Foodstuffs in the competitive Andersons Bay Road area, there has been little development in this category in recent years. Low population growth has meant existing stores and scale are ably satisfying consumer needs.

ADDITIONAL LAND REQUIREMENTS

Land capacity for increased retail activity exists within Dunedin CBD and across most city fringe and urban centres through infill and redevelopment opportunities. North Dunedin was the only area where needs for additional capacity was identified in order to satisfy identified demand for a competitive supermarket proposition in the North East Valley area.

Land and construction costs, coupled with challenging returns and uncertain tenant demand at necessary rental levels mean that few new builds have been undertaken in recent years. Development appetite and confidence is further influenced by natural hazards and geotechnical requirements that affect areas such as South Dunedin.

INFLUENCE OF INTERNET SHOPPING

While the growth in internet shopping has slowed, it still represents around 11% of overall NZ spend and particularly affects discretionary categories which are the biggest occupiers of retail space in the CBD. This is compounded in Dunedin by the high number of students who are digital natives and instinctively prioritise online shopping channels.

Retailers across all categories are transitioning customers to their online stores to retain market share and reach beyond their traditional geographic boundaries. E-commerce can be more profitable than the high costs and increasing complexities of operating physical retail stores.

Continuing adoption by customers of digital shopping channels, along with the ability for retailers to service their market both from physical and online stores will stabilise demand for retail space. This could see greater use of industrial property as e-commerce fulfilment facilities, such as that happening in other main centres.

TRADE RELATED NEEDS

The Dunedin Hospital development will benefit the local economy significantly once construction begins at scale, through employment, accommodation, demand for building trades and likely some procurement of materials.

Whilst demand for trade-related products will increase, the nature of procurement and fulfilment will be focused on efficiency. Projects of this size are typically supplied pro-actively through contractual arrangements with goods being delivered directly to sites from distribution centres.

Reactive requirements, such as tools, consumables and frequently used components are supplied from on-site container fulfilment stores and vending solutions.

It is unlikely this project will require trade related retailers to increase the scale of representation, however it will create additional demand for industrial space and yards for prefabrication, container devanning and storage for contractors.

Competitive labour hire and training uses will favour higher profile retail sites and will likely occupy space in the area. A number of recruitment businesses have recently established in retail sites to leverage profile and accessibility.

TRENDS IN HIGH STREET SHOPPING

Retail is becoming increasingly competitive as other discretionary categories - including hospitality and entertainment, gain a greater share of spend. In response, retailers are focusing on inspiring and experiential store environments, regular range refreshment and competitive offers to keep consumers engaged, spending and loyal.

Non-traditional uses - such as gyms and offices are increasingly populating retail precincts creating opportunity and challenge in delivering destinations that shoppers enjoy and want to be a part of.

Independent retailers, artisans and talented entrepreneurs deliver the differentiation that help separate cities and town centres from their competitors.

Today, competitiveness and the ability to sustain a presence in high-cost retail environments relies on the margins achieved through vertical business models. A disadvantage of this is that chain retailers proliferate and replicate their offer across many centres – diminishing uniqueness and scarcity, that an independent and artisanal proposition achieves.

Dunedin's CBD has an increasing number of vertical retailers, however, there remains sufficient locally owned businesses to maintain individual character.

Emerging artisans and entrepreneurs that once delivered succession within retail centres are now less inclined to prioritise a store presence. Alternative, lower-risk channels to sell products include online, markets and pop-up spaces, however this does mean there are fewer opportunities to lease smaller stores and activate secondary locations.

FLEXIBLE WORK AND STUDY

Dunedin's large government, educational and technology sectors, coupled with a regionally dispersed workforce have embraced flexible working, while a competitive university sector has maintained the ability for online learning.

Changes in weekday audience numbers have had a significant effect on the CBD hospitality and retail businesses that have relied on workers and students. Since the pandemic several smaller businesses serving this market have closed due to lower footfall and trade.

While some return to work and university environments has occurred, flexibility for many roles will remain for organisations to attract and retain the best talent and skills.

LAND-INTENSIVE USES

Gradual shifts in vehicle sales models are seeing the consolidation of new car dealerships and a reduction in the number of second-hand dealers. This is creating vacancy in secondary locations around used vehicle yards and likely will result in longer-term availability in areas such as Andersons Bay Road, as franchise models continue to evolve.

Electrification trends are anticipated to reduce the scale and frequency of vehicle servicing, with a long-term reduction in the land requirements for mechanical repairs.

Growth in self-service fuel stops and the refurbishment of existing fuel stations continues with long-term leases indicating these sites will be productive into the medium term, based on current vehicle sales and NZ fleet trends.

Quick service restaurants are increasingly seeking to provide greater drive through capacity as trends move toward vehicle-based custom from traditional eat-in formats. Brands, not yet represented in Dunedin, are likely to seek sites while existing operators are understood to be considering additional infill opportunities.

ADDITIONAL CONSIDERATIONS

Localised demand. Large-scale retirement complexes under development in Mosgiel will create specific and proximity-reliant demand for amenity retail including pharmacy.

Accessibility focus. CBD businesses such as health providers are proactively seeking additional premises in areas where there is greater accessibility, to support customer convenience, maintain trade and goodwill. This is seeing renewed interest in areas such as South Dunedin.

Precinct renaissance. Development of the ACC building and refurbishments of nearby office blocks in the Princes Street area will stimulate regeneration in this quarter. Businesses will likely support the daytime needs of surrounding workers and include cafes, convenience and other amenity retail uses.



1.1 | SUMMARY

Dunedin is a unique consumer market in a national context, with limited predominant concentrations of retail activity at scale. These channel customers and the businesses that serve them into well-defined and patronised destinations.

The city is recognised for a successful CBD retail economy, which is in-part due to the narrower choices in location, but not offer, that shoppers have. Most national brands are represented in Dunedin. Retailers have less need for multiple sites in order to serve this market sufficiently. This helps chains represent and deliver efficiently and profitably.

Limitations are typically less about the availability of land, but often more so about the economics of development and return, along with constraints around heritage and geotechnical considerations. These often limit the ability for building spaces that larger format retailers would prefer, in the areas that would conveniently service the greatest catchment of consumers.

Property owners and occupiers have adapted strategically to constraints by developing and utilising retail floor-plates that respond to the sites and buildings that are available. This has meant areas such as the CEC South zone - including the Warehouse Precinct, have remained active and productive – without competing, more modern, large format spaces attracting shoppers and occupiers, away from the the city's commercial heart.

Dunedin has limited dedicated large-format retail by comparison with other main centres, however recent plan changes has released additional suitably zoned land availability alongside other LFR properties. This, along with future additional development capacity created by changes in other large occupiers – such as vehicle sales, will provide capacity with margin, that supports a competitive and successful marketplace.

Redundancy of retail space is minimised as new and non-traditional uses are increasingly populating these tenancies. This creates an equilibrium of demand and occupancy that maintains activation and purposeful use of these properties into the future.

1.2 | REPORT NAVIGATION



1.3 | LARGE FORMAT RETAIL SPECIFIC SUMMARY

KEY THEME	BACKGROUND	IMPACT
Value of LFR to the CEC South zone	Past limitations on the availability of LFR space in Dunedin has meant retailers have had to adapt their store formats and delivery in this area.	Neutral
Impact potential on the CEC South zone	Greater availability, coupled with affordable development and occupancy conditions, would likely attract retailers away from areas such as the CEC South zone including the Warehouse District, rendering some spaces redundant.	Decline
Development barriers	High land and construction costs and complexities including ground leases, geotechnical requirements and natural hazards, challenge developers' appetite for investment in new LFR builds.	Neutral
Workarounds	What is being developed currently is purposefully designed to maximise the efficiency of available sites to ensure occupancy costs are sustainable for the LFR business model.	Neutral
Beneficial development	The Kmart development is unique in nature and will have wider benefit for neighbouring retailers including the property owner's retail store. This will concentrate shoppers and utilise shared parking facilities to connect each other's customers. These factors will have been a driver in development ability and decisions, however, not all property owners can leverage these benefits.	Neutral
Alternative space solutions	Large format retailers are mitigating requirements for additional shop space and increasing costs of retail operations using offsite storage and customer collection warehouses.	Neutral/ Decline
Online focus	Retailers are increasingly encouraging customers toward online channels in order to maintain and grow market share, reach beyond existing catchments and economically serve their market. This will stabilise and could reduce the amount of LFR space required	Neutral/ Decline
Consumer trends	Changes in consumer behaviour – driven by sustainability, increasing landfill taxes and economic influences will likely see some stabilisation in demand and a possible reduction in the need for LFR space.	Neutral/ Decline
Other uses will compete for LFR space	Health and wellness, education, child and animal care and other growing sectors are all emerging uses for spaces that have been previously dedicated to retail.	Neutral
Future capacity	Changes in demand and distribution models for other large occupiers – such as vehicle sales and service, will likely free additional space for LFR or other successive uses in the longer term. Major investments in existing infrastructure, development costs and financial return from the LFR sector are barriers to this occurring until existing use opportunities are exhausted.	Neutral
Potential of attracting major discount store such as Costco	From analysis of Australian planning applications, Costco stores typically require a population catchment of 700,000+ in order to consider new stores. Based on Dunedin's regional catchment, this would not be sufficient to support a Costco store at this stage.	Neutral

LEGEND Neutral: No gain or loss of land, Land is already available, Capacity exists. New uses replace old ones. Decline: Less retail space required. Spaces may be redundant. Growth: Additional space required (but could be fulfilled within existing suitably zoned land) Surplus: Redundant space for recycling into other zone-appropriate uses, New: Suitably zoned land will be required.

1.4 | AT A GLANCE SUMMARY

11

OVERALL TRENDS	ECOMMERCE GROWTH	SUSTAINABILITY DEMANDS	CONVENIENCE DEMANDS	VALUE FOCUS
DUNEDIN RETAIL TRENDS	Economic headwinds are restraining spend as consumers reign in expenditure. CBD retail footfall increasingly limited has been flat.		Discretionary spend is increasingly limited due to economic conditions	CBD footfall is flat to declining.
	Spending is slow to recover, and transaction volumes have declined on pre-pandemic levels in the CBD.		Regional competition has increased across Otago and Southland..	New retail is attracted to CBD.
	Spending across wider Dunedin increased from pre-pandemic levels indicating greater suburban activity.			
LARGE FORMAT RETAIL (LFR)	Past limitations in LFR land availability have helped regenerate and sustain the CEC South zone including the Warehouse Precinct.		Most national LFR brands are already represented demonstrating current capacity is sufficient.	
	Greater availability of efficient, accessible larger space could attract tenants away from older buildings, while any new collective LFR offer could attract additional LFR away from the CEC South zone.			
	LFR retailers are increasingly using offsite storage and customer collection sites for bulky goods - such as appliances, furniture and building.		Online shifts and changes in consumer behaviour are likely to stabilise demand for LFR sites and scale.	
	Greenfield residential development coupled with population growth at scale would create need for suitably zoned, accessible and conveniently located land for supermarkets within any future communities.			
ADDITIONAL LAND REQUIREMENTS	Infill capacity exists in the CBD however costs of development and ROI limitations currently limit appetite and ability for development.		Capacity exists in Principal Centre zones through infill and the recycling of existing sites/buildings.	
	George Street improvements will strengthen the precinct creating additional prime retail space beyond the Golden Block with capacity for retailers seeking footfall and the synergies of locating amongst drawcards.			
	Capacity exists in South Dunedin's LFR zone however land and development costs and ROI limit the ability for development. Eventual recycling of sites other uses (such as car yards) will create additional capacity. High land and construction costs, natural hazards and challenging ROI limit development appetite, ability for investment and leasing certainty.			
	Additional capacity is required in the Gardens area at the gateway to the North East Valley area for a competitive supermarket offer.			
INFLUENCE OF INTERNET SHOPPING	Internet spending continues to increase in Dunedin.	Dunedin's younger audience has embraced e-commerce including apparel & food delivery.		New retailers launch online.
	Retailers are increasingly transitioning consumers online to gain efficiencies, market-share and reach.		'Chore' shopping will continue migrating online while 'experience' in-store shopping grows in popularity.	
	Growth in e-commerce will stabilise demand for retail space and see some shift to industrial sites for fulfilment direct to customers.			

OVERALL RETAIL TRENDS	ECOMMERCE GROWTH	SUSTAINABILITY DEMANDS	CONVENIENCE DEMANDS	VALUE FOCUS
TRADE RELATED NEEDS	Upcoming projects of scale will be supplied through onsite fulfillment (site containers/vending) models		Additional requirements of an on-demand nature are anticipated to be within existing capacity	
	Additional land requirements are likely in industrial areas for component logistics, de-vanning, representation and depot facilities for contractors and subcontractors establishing for large-scale projects			
TRENDS IN HIGH ST SHOPPING	Experiential retail concepts maintain the relevance of instore shopping	Traditional retail categories are making way for hospitality, entertainment and wellness uses as consumer preferences change		
	Vertical retailers predominate in terms of space occupied while independent retailers have retreated from prime sites due to costs			Fewer successive retail concepts occurring
FLEXIBLE WORK AND STUDY	Flexible work and study are likely to remain and impact CBD audiences	Larger daytime audiences in suburbs and the region	Demand and consistency are the key impacts for retail	
	Impacts are especially felt by smaller CBD hospitality and retail businesses	Dunedin is seeing modest suburban growth in contemporary retail, hospitality, leisure (such as gyms) and wellness uses including therapy and beauty treatments		
LAND INTENSIVE USES	Gradual consolidation of vehicle sales due to distribution model shifts	Electrification trends reduce the need/scale of servicing facilities	Owner-occupiers are major participants in this category	
	High land/development costs and low alternative returns-on-investment challenge appetite for use changes			
	Long-term demand changes will eventually release capacity for retail or other large or mid format uses			
ADDITIONAL CONSIDERATIONS	Large retirement developments - such as what is occurring in Mosgiel, will create localised retail demand	Retailers are seeking accessible sites to better support convenience	New developments will further regenerate retail in the CBD	



2.0 | FORWARD

Dunedin City Council (the Council) needs to be able to make informed planning decisions for the provision of zoned land for different retail sectors.

A business development capacity assessment that considered the demand, supply and sufficiency of land for different occupier categories identified a potential shortage in the long term of retail land for large-format retail use. Responses to a survey, undertaken during this research, also noted a need for more large format retail space, by some participants.

This report develops a comprehensive analysis of these trends – specific to Dunedin and is informed by comprehensive analysis of consumer trends, sector trends for both large and smaller format retail categories based on spending and audience data and feedback from developers, owners and occupiers.

2.1 | BUSINESS LAND CAPACITY ASSESSMENT

Council's must estimate for the short term, medium term, and long term, for their region and each constituent district of the tier 1 or tier 2 urban environment: the development capacity (in terms of hectares or floor areas) to meet expected demand for business land for each business sector, plus the appropriate competitiveness margin; and of that development capacity, the development capacity that is:

- plan-enabled; and
- plan-enabled and infrastructure-ready and plan-enabled, infrastructure-ready, and suitable for each business sector.

A local authority may define what it means for development capacity to be "suitable" in any way it chooses, but suitability must, at a minimum, include suitability in terms of location and site size.

If there is any insufficiency, the HBA must identify where and when this will occur and analyse the extent to which RMA planning documents, a lack of development infrastructure, or both, cause and contribute to the insufficiency.

2.2 | OBJECTIVES

This report seeks to identify the retail trends Dunedin will likely experience in the short (2024 – 2027), medium (2024 – 2034) and long term (2024 – 2054), specifically:

How these trends may affect retail land needs across Dunedin for different retail sectors, including but not limited to:

- Large format retail Whether Dunedin needs more space for large format retail.
- Sector specific needs If more land is required for any retail sector, how much and what geographical areas would be suitable from a market perspective while supporting the strategic directions of the Dunedin City Council 2nd Generation Plan.
- Changing distribution channels The likely future of internet shopping and subsequent impact on retail space for different sectors.
- Trade supply capacity Whether there is a need for additional trade-related retail in Dunedin due to the level of activity in the construction sector or other reasons.
- Consumer preferences Trends in the desirability of the High Street shopping experience.
- Flexible work and study The impact of the working from home trend on retail land needs for different sectors and whether this trend is set to continue.
- Land-extensive sector trends The likely future for land-extensive retail sectors including car yards.
- Other trends Any other changes in retail behaviour that may impact the need for retail space in Dunedin.

2.3 | METHODOLOGY

2.3.1 ENQUIRY FOCUS

AUDIENCE TRENDS	<p>Who are Dunedin's customers?</p> <p>Where do Dunedin's customers come from?</p> <p>What are the audience demographics?</p> <p>Population trends and growth areas.</p> <p>Influence of the University and Otago Polytechnic</p> <p>Influence of the visitor market.</p>	<p>Understanding the influence of customer origin on spending.</p> <p>Understanding the needs and retail demand of customers.</p> <p>Future needs for scale or new localities.</p>
SPENDING TRENDS / OUTLOOK	<p>Past and current spending trends.</p> <p>Regional and national economic outlook.</p>	<p>Understanding spending patterns, spending attrition and interpreting.</p> <p>future demand based on local and macro trends.</p>
RETAIL PRESENCE	<p>Which retailers are represented in Dunedin.</p> <p>Which national retailers are not yet represented.</p> <p>How retailers deliver differently in this market.</p> <p>Brands entering, rationalising and exiting.</p>	<p>Understanding unmet demand potential.</p> <p>Determining needs for scale or improvement to align with representation in other markets.</p>
COMMERCIAL PROPERTY FEEDBACK – OWNERS, DEVELOPERS AND AGENTS	<p>How is Dunedin's market performing.</p> <p>What are the needs of occupiers.</p> <p>What are the barriers to growth/performance.</p>	<p>Experience of this market.</p> <p>Future aspirations and needs.</p> <p>Opportunities and Challenges.</p> <p>What makes the Dunedin market unique?</p> <p>Comparatives to other markets.</p> <p>General perspectives.</p>
OCCUPIER FEEDBACK – RETAILERS, HOSPITALITY OPERATORS		
DUNEDIN CITY COUNCIL/ ECONOMIC DEVELOPMENT FEEDBACK	<p>Council/ Economic development.</p> <p>Tourism Destination Management Plan project.</p>	<p>Economic, social and environmental goals.</p> <p>Visitor trends and the influence of events.</p> <p>Environmental imperatives.</p>
CONSUMER TRENDS	<p>What do consumers want from the offer?</p> <p>How are they responding to the current offer?</p>	<p>Understanding changing preferences.</p>

2.3.2 SECTOR ENGAGEMENT

PROPERTY	Property Developers	Mall Management	Sales and Leasing Agents
	Property Managers	Commercial Landowners	Dunedin City Council
			Construction Sector
CONSUMER-FACING SECTORS	Independent Retailers	National Retail Chains	Quick Service Restaurants
	Vehicle Retailers	Service Retailers	Trade Suppliers
	Sumermarkets	Large Format Retailers	

Engagement with stakeholders has taken place between January 17, 2023, and March 8 2023

2.4 | RETAIL AREAS OVERVIEW

2.4.1 CITY CENTRE (CBD ZONE)

Dunedin CBD is attractive, characterful and connects closely to major audiences with the Hospital and Otago University both within walking distance of the main shopping precinct of George Street.

Three inner-city malls help attract a local and regional audience with most national brands represented – demonstrating the areas primacy as a retail and hospitality centre.

Within the city centre, precincts have developed their own personality, retail genre and following – providing confident consumer destinations that benefit from a naturally evolving clustering of like and complementary businesses. Dunedin CBD is seen by retailers, largely, as a successful retail economy and by consumers as a positive shopping, hospitality and leisure experience.

Leases in prime precincts are tightly held, however there is consistent availability of retail space outside of this area. Infill development provides for capacity if required and viable, while the George Street upgrade is likely to further enhance area appeal for consumers and businesses.

2.4.2 CEC SOUTH ZONE INCLUDING THE WAREHOUSE PRECINCT

Located on the edge of the City Centre, the Warehouse Precinct contains a mix of large and mid-format retail stores and trade related sales outlets. Businesses of this type are predominantly dispersed between this area and South Dunedin.

As the original large-format destination, former warehouses that have been repurposed for retail use, sit alongside dedicated LFR stores for major national brands. Proximity to the CBD enables these businesses to ably serve residents including students, who can walk or take public transport to the area – as well as a regional audience for its more specialist offer.

This area is also tightly held, and for some properties development is limited by heritage covenants, however changes in the market – such as consolidation, for some occupier types and categories – are anticipated to create vacancy in the medium term.





2.4.3 SOUTH DUNEDIN

The principal centre zone of South Dunedin is a retail environment of contrasting offers, experiences and audiences. King Edward Street is a slowly regenerating, traditional town centre, with finer-grain buildings and a mixture of established and emerging enterprises.

While some properties have been restored and developments are proposed, challenges around the flood-prone nature of this area limit the appetite and ability for investment.

Andersons Bay Road and its tributaries are where the many of Dunedin's large format retailers are located. This area provides the scale and accessibility that is necessary for bulky goods retailers and supermarkets, while its arterial role connects major residential areas and popular recreational destinations with the City Centre.

While the availability of LFR space in Anderson's Bay Road has been limited, however an appeal to the 2GP Plan released additional land capacity - some of which is being developed by Foodstuffs South Island as owner and occupier, into a New World Supermarket.

Wider development progress will be governed by return on investment for property owners and the ability for prospective tenants to sustain rental levels that are commensurate with land and construction costs.

Centralisation of retail activity between those relatively adjacent areas is efficient for consumers and businesses and has helped the nearby city centre, particularly, remain relatively resilient by comparison with other cities and regions where multiple out-of-town shopping choices have compromised traditional 'high street' consumer destinations.



2.4.4 OTHER PRINCIPAL CENTRES

The remaining Principal Centre Zones include Green Island, Mosgiel and Port Chalmers contain smaller townships with traditional retail offers catering mainly to local needs. The proximity and connectedness of these areas with the City Centre have seen some retailers close smaller suburban sites in favour of larger, singular representation in the city.

Mosgiel is the largest suburban retail centre and serves a population of around 14,000 residents along with a broader rural catchment south of Dunedin. This area is growing slowly but steadily with new retirement communities developing while surrounding land provides opportunity for future greenfield residential development.

Mosgiel's town centre offer has remained in a hiatus for some time with steady vacancy, an ageing retail offer, few incoming businesses and little appetite for redevelopment. This is predominantly related to a strong CBD proposition attracting consumers, limited population growth and a lack of businesses or property owners motivating change by developing contemporary consumer experiences that attract new audiences to the area.

2.4.5 SUBURBAN CENTRES

While many suburban centres in other New Zealand main centres have seen gentrification – driven by increasing daytime audiences and new residents seeking contemporary shopping and hospitality experiences, Dunedin has been slower to develop these trends.

Except for areas such as St. Clair and Roslyn which have evolved well to support expectant surrounding audiences, suburban centres in Dunedin have a traditional retail mix and delivery. This continues to focus aspirational consumers largely toward the City Centre for shopping and casual dining – further reinforcing this area as Dunedin's preeminent consumer destination.

Most suburbs have some retail vacancy, while others – such as Caversham have extensive vacancy, providing capacity within existing retail zones for new businesses to establish or existing retailers to achieve greater scale.

3.0 RETAIL TRENDS

3.1 | TERM TRENDS OUTLOOK

SHORT TERM - 3 YEARS - 2024-2027	MEDIUM TERM - 10 YEARS - 2024-2034	LONG TERM - 30 YEARS -2024-2054
Category clustering will continue to support retail performance and resilience [1]		Definitive 'retail quarters and precincts [2]
Retailers re-positioning, as leases approach conclusion, to optimise presence for location, spatial requirements and efficiency		
Retail positioning in some categories for accessibility and customer convenience [3]		Positioning for population growth [4]
Building owners prioritising the strengthening of prime retail sites while all commercial properties must be up to code by 2052 [5]		
Growth in health/wellness categories and services replacing some retail uses [6]		Growth in elder-specific retail categories [7]
Continued growth in ecommerce will lessen walk-in trade and space requirements [8]		
Retailers adding new categories to offset declines in traditional categories [9]		
Consolidation, changing distribution and technology is changing needs of large occupiers – such as vehicle sales and servicing [10]		
Automation will continue to improve LFR efficiency and reduce personnel levels [11]		
Alternative uses including gyms, childcare and pet care occupying retail spaces [12]		
Growth in artisanal retail/e-tail as creatives and producers develop differentiated products and services with local relevance		
Continued spend shifts from products to experiences (entertainment/hospitality)		
Economic headwinds slowing demand		
Consumers environmental awareness and retail response increases	Shift from a linear economy by conscious consumers drives a changed appetite for durables and grocery lines - lessening demand for some current LFR categories	
International students and tourists steadily return to Dunedin	Competition from Te Kaha could impact frequency of major events in Dunedin [13]	Dunedin will establish its unique niche for major events, rebalancing appeal [14]
Suburban retail centres will strengthen through continuing flexible study + work [15]		Aging population supports localisation
Princes Quarter retail will regenerate once the ACC building is occupied [16]	A refreshed George Street environment, offer and experience will enable each block to develop and embed its own unique character, appeal and renewed relevance [17]	

3.2 | IMPLICATIONS

RETAIL TREND		REPRESENTATION	DEMAND IMPACT
RE-POSITIONING	Category clustering and the evolution of precincts	Will see some precincts or areas strengthen as complementary businesses near-locate to build collective destination value	Neutral
	Accessibility and customer convenience	Businesses requiring accessibility will prioritise location, while successive occupants with different business models would typically backfill quality, vacated spaces	Neutral
TEMPORARY WORKS	Buildings undergoing strengthening	Works happening between tenancies, or requiring the temporary relocation of retail occupants will see some vacancy	Neutral
CHANGING USES	Alternative uses occupying previous retail sites	Healthcare and diagnostics, animal care, education and entertainment and other diverse uses are increasingly occupying prime, secondary and bulk retail spaces	Neutral
DIGITAL TRENDS	E-commerce growth	Consumers increasingly transitioning to e-commerce including deliveries direct from distribution centres, click & collect, dedicated local fulfillment (dark stores/kitchens)	Neutral / Decline
SECTOR CHANGES	Vehicle sales /servicing	Consolidation of dealerships, reduced servicing requirements	Surplus
	Category Spending Shifts	Shifts from products (retail goods) to experiences (hospitality and entertainment)	Neutral
	Resilience / Growth Moves	Retailers adding new categories to offset those declining	Neutral
SUCCESSIVE USES	Artisanal businesses	Emerging artisanal entrepreneurs establishing new retail enterprises	Neutral
ENVIRONMENTAL RESPONSE	Environmental response/circular economy	Gradual change in appetite for durable goods as consumers buy less but better, reuse, remake and send less to landfill	Neutral
FLEXIBLE WORK/STUDY	Dormitory suburbs to self-contained and sufficient	Increased daytime audiences creating new/additional demand for retail and hospitality in suburban centres	Neutral / Growth
POPULATION CHANGES	Any future greenfield residential development	Need for increased capacity to conveniently service intensified suburban audiences should population growth or shifts occur	New
	Aging audiences	Increased daytime audiences creating new/additional demand in suburban centres	Neutral / Growth
ACCESSABILITY	Convenience	Increased preference for accessible locations by consumer-facing businesses,	Neutral
RESILIENCE	Building suitability	Businesses locating/relocating to buildings that have higher seismic integrity	Neutral

LEGEND Neutral: No gain or loss of land, Land is already available, Capacity exists. New uses replace old ones. Decline: Less retail space required. Spaces may be redundant. Growth: Additional space required (but could be fulfilled within existing suitably zoned land) Surplus: Redundant space for recycling into other zone-appropriate uses, New: Suitably zoned land will be required.

3.3 | AUDIENCE

KEY THEMES

SLOWER THAN AVERAGE POPULATION GROWTH	YOUNGER POPULATION
Over the past decade, Dunedin's population has shown a moderate increase. Between 2011 and 2021 the population of Dunedin grew by approximately 7.7%. This growth is slightly lower than the national average growth rate.	Dunedin has a higher proportion of young adults than the national average. This is largely due to the presence of the University of Otago, which attracts many students from around New Zealand and overseas

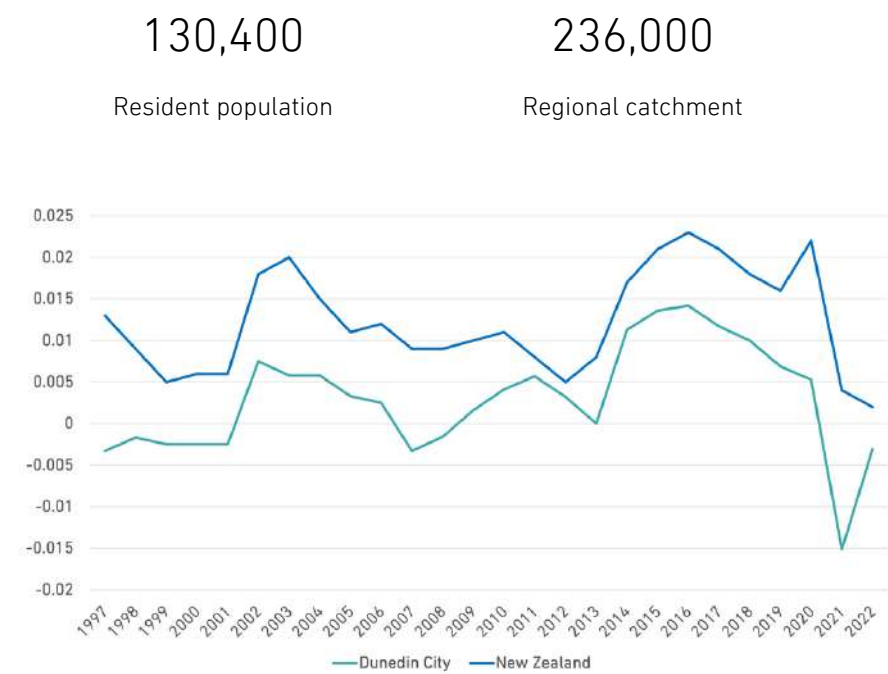


Fig 1. Dunedin City population trends – 1997 – 2022

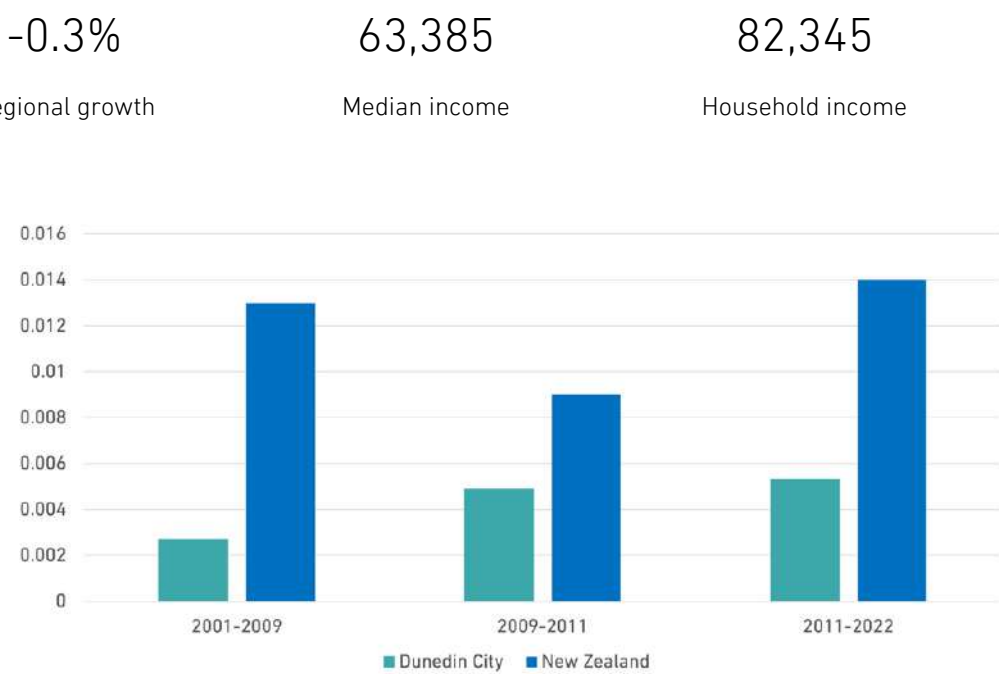


Fig 2. Age composition Dunedin City comparative to New Zealand average – 2022

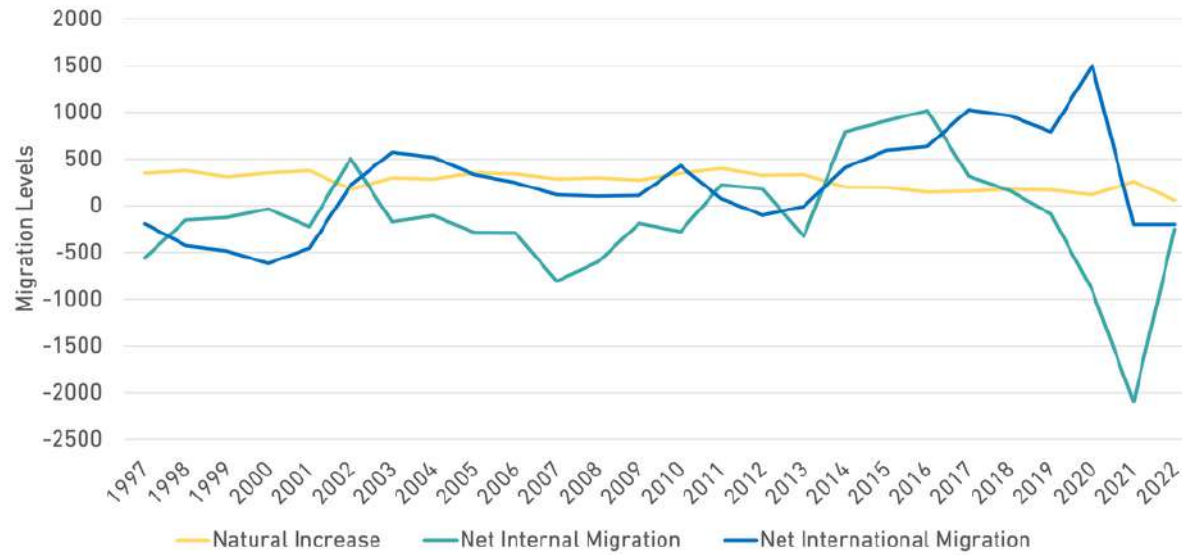


Fig 3. Population source – Dunedin City 1997 - 2022



Fig 4. Mean Household income Dunedin City comparative to New Zealand

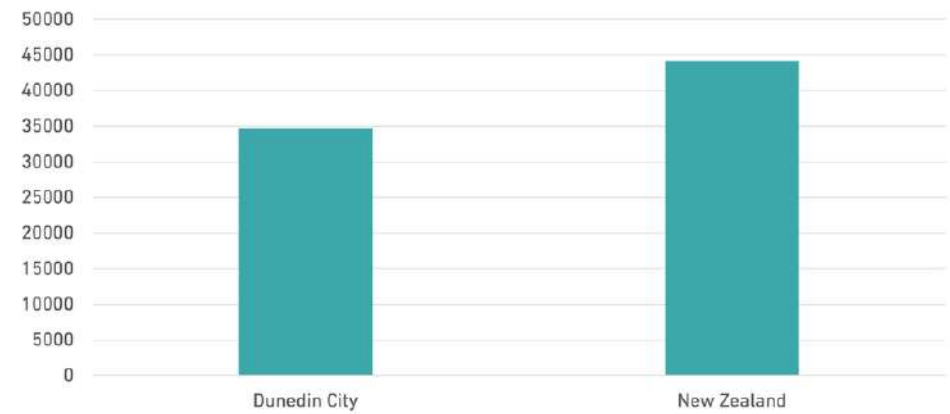


Fig 5. Mean per capita income Dunedin City comparative to New Zealand

Source: Infometrics for Dunedin City Council

3.4 | CATEGORY CHANGES

DECLINING CATEGORIES	GROWING CATEGORIES		RE-EMERGENT CATEGORIES
Bookstores Department stores Money exchange News agencies and magazine stores Office products Stationery stores Photography and photo processing Shoe repairs Smaller format pharmacies Tobacconists	Appearance medicine Artisanal foods and beverages Audiology Bulk products and refillerries Card and game stores/activities Charity stores Childcare Cycle retail and repair Diagnostic medical services Digital entertainment centres Dog daycare Dog grooming Employment / labour hire services Entertainment International grocery shops Gyms and smaller-format specialist exercise studios Independent living categories	Large format pharmacies Mobile device repair Nail and brow bars Natural skincare products Office co-working spaces Parliamentary representatives Pop-up and short-term retail uses Rehabilitation providers Tattooists Temporary staffing and recruitment Therapeutic massage Vape products Veterinary services Vintage clothing and secondhand goods Vitamin and supplement retailers	Bakers Barbers Butchers Clothing alterations Floristry Smaller-format groceries Specialist wine shops Tourism retail Travel agencies

RETAIL LAND USE CONSIDERATIONS

- There are more growing categories, than declining uses - demonstrating shift by some previously destination-based sectors into higher-profile retail spaces
- Diverse backfill. New and often non-traditional uses - such as gyms, medical services and recruitment are increasingly occupying former retail space in Dunedin.
- Dominant growth category. Health and wellness sectors including audiology and optometry have requirements for bigger spaces and are growing in presence.

3.5 | SPENDING TRENDS

3.5.1 OVERALL MARKET PERFORMANCE

KEY TRENDS		
OVERALL GROWTH WITH COVENANT	CBD TRANSACTIONS DECLINE	SPENDING GROWTH STRONGEST OUTSIDE CBD
Overall spend across Dunedin has grown on pre-COVID levels however this is in a high-inflation economic climate.	There has been an almost 10% decline in CBD store transactions, while transaction numbers have grown 4.5% across the broader Dunedin City area.	CBD sales are 1.35% higher than pre-pandemic levels, while sales at retailers across Dunedin City have gained 12.4% during this four-year period.

SPENDING AND TRANSACTIONS - TREND SNAPSHOT

TARGET AREA	MONTH	YEAR	ACTUAL SPEND	% CHANGE [18]	TRANSACTIONS	AV. TRANS. VALUE	CPI ADJUSTED [19] COMPARATIVES [20]	
CBD SPEND	January	2019	\$20,611,651	Benchmark	527,432	\$39.07	\$20,611,651	Benchmark
		2020	\$22,145,997	+7.44%	546,558	\$40.51	\$21,133,973	+2.5%
		2021	\$18,935,899	-8.13%	479,120	\$39.52	\$21,455,402	+4%
		2022	\$19,082,957	-7.14%	428,841	\$44.49	\$22,540,226	+9.3%
		2023	\$20,895,234	+1.37%	474,818	\$44.00	\$24,167,462	+17%
DUNEDIN CITY	January	2019	\$79,909,653	Benchmark	1,919,321	\$41.63	\$79,909,653	Benchmark
		2020	\$83,636,111	+4.66%	1,989,770	\$42.03	\$81,934,653	+2.5%
		2021	\$83,303,805	+4.24%	2,044,631	\$40.74	\$83,180,808	+4%
		2022	\$86,978,663	+8.84%	1,924,430	\$45.19	\$88,944,272	+8.8%
		2023	\$89,883,435	+12.48%	2,006,966	\$44.78	\$93,695,236	+17%

Source: Marketview for Dunedin City Council

Source: Reserve Bank of NZ

3.3.1 | SPENDING DATA

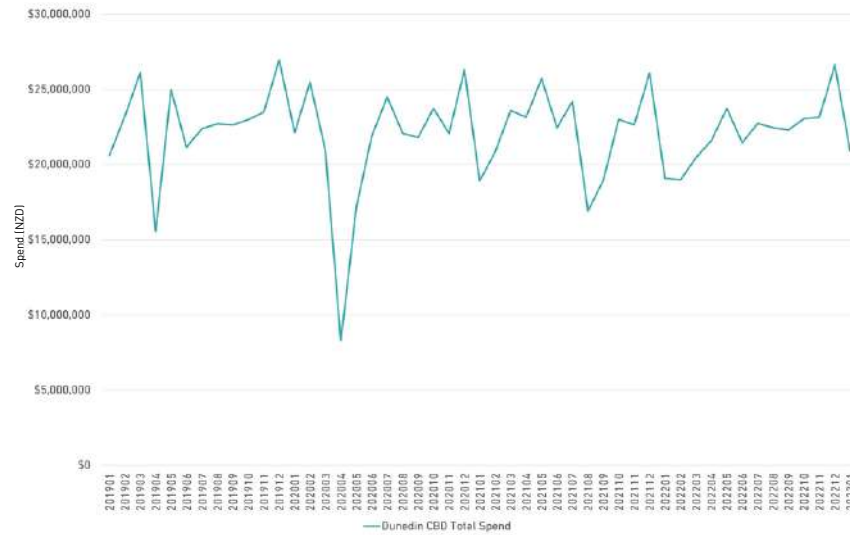


Fig 6. Dunedin CBD - Total Spend

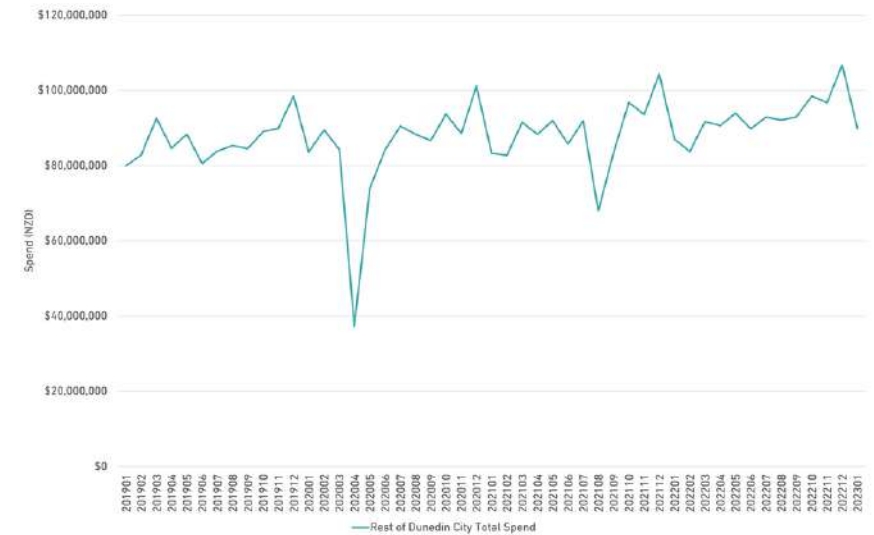


Fig 8. Dunedin City – Total Spend

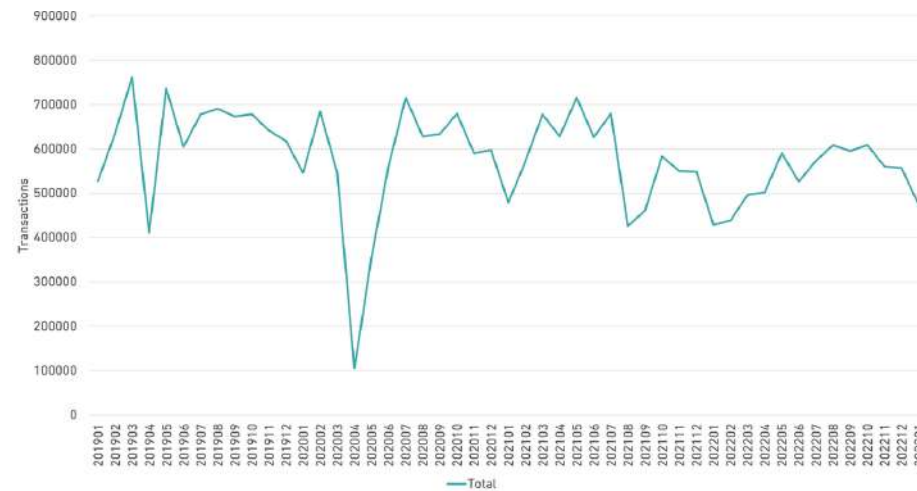


Fig 7. Dunedin CBD - Total Transactions

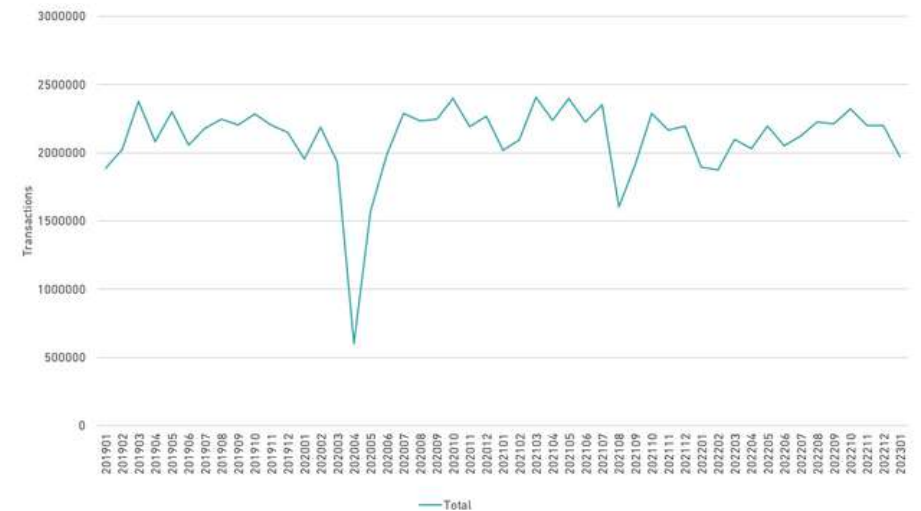


Fig 9. Dunedin City – Total Transactions

Source: Marketview for Dunedin City Council



Fig 10: Comparison of Dunedin CBD and rest of Dunedin Total Spend

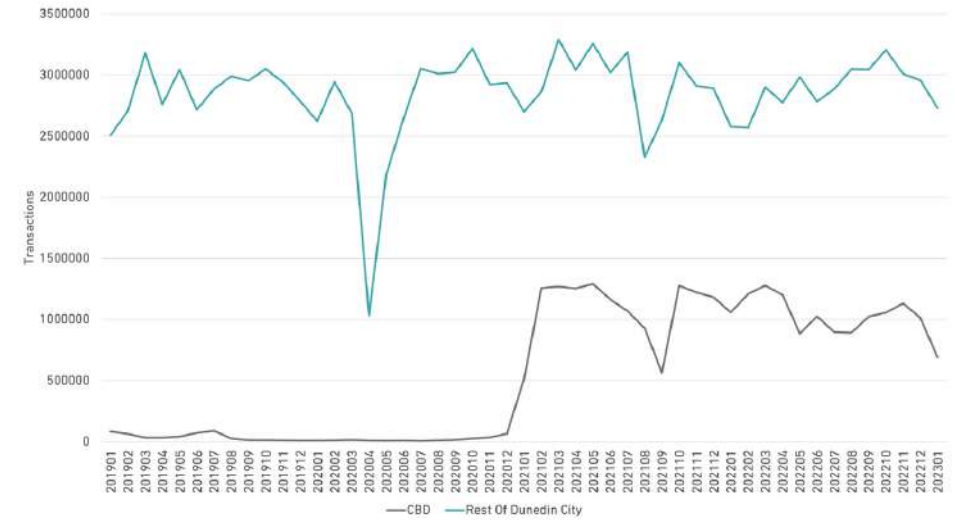


Fig 12: Comparison of Dunedin CBD and rest of Dunedin Total Transactions

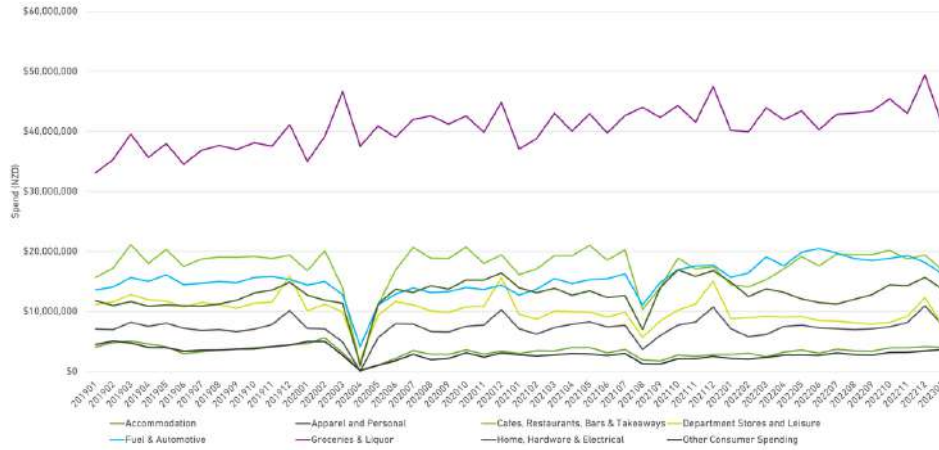


Fig 11. Dunedin Total Spend – Across all Categories

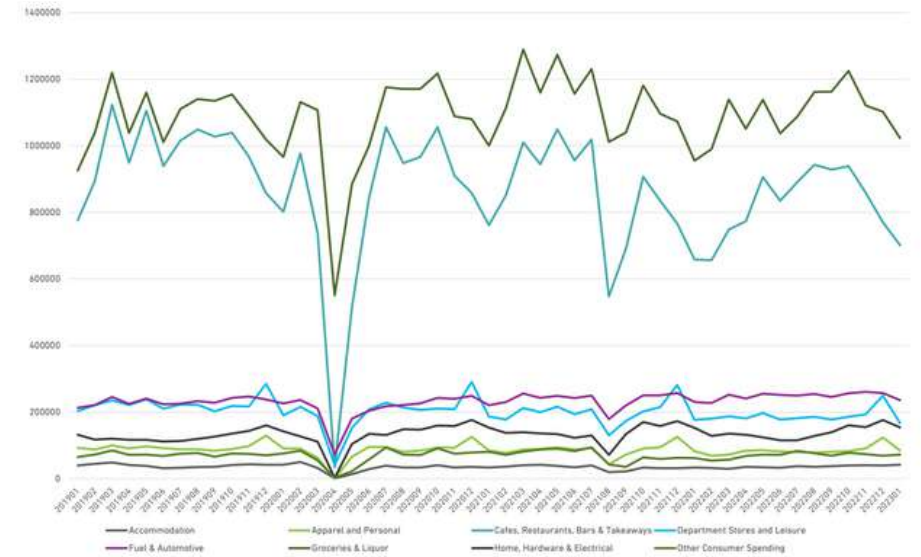


Fig 13. Dunedin Total Transactions – Across all Categories

Source: Marketview for Dunedin City Council

4.0

LARGE FORMAT RETAIL

4.1 | SUPERMARKETS

OVERVIEW

Dunedin is a mature grocery market with little change in the number of supermarkets since 2012 [21] when Countdown opened its second South Dunedin store. By contrast, regional expansion [22] has seen new supermarkets develop in outlying areas that once relied on Dunedin for a broader selection, specialised or value orientated shopping needs.

- A single Pak'n'Save supermarket still attracts some regional audience.
- A new New World store in South Dunedin was recently consented.
- Demand for new sites exist to better support convenience.
- Demand for new sites exist to better support competition.
- Dunedin has not yet seen the opening of larger scale, specialist grocers.

KEY TRENDS

CONVENIENCE FOCUS

Dunedin consumers are largely mobile [23] and prioritise accessibility/convenience in grocery shopping destination decisions.

E-COMMERCE GROWTH

Online (click and collect and delivery) continues to grow in Dunedin with the student market important contributors.

REGIONS STRENGTHEN

Grocery offers in Central Otago and Balclutha have improved in recent years as new stores have opened - reducing regional demand that was once prevalent.

CONSIDERATIONS

NEIGHBOURHOOD SOLUTIONS

Consent has been granted for a New World supermarket in South Dunedin to better service this community and the Dunedin Peninsular. Competitor: Countdown already have two stores nearby to each other, on busy arterial route; Andersons Bay Road

DEVELOPMENT CONSTRAINTS

There is limited ability to increase the scale of many supermarkets in Dunedin through the lack of contiguous sites while geotechnical challenges impact appetite for expansion, improvements and growth. Higher than average land costs also challenge return on investment for developers.

DEDICATED E-COMMERCE DISTRIBUTION

Countdown has established dedicated e-commerce fulfilment sites in Auckland, Wellington [24] and Christchurch, however this shift of distribution into industrial spaces has not yet occurred in Dunedin. Dark stores could establish within retail stores or dedicated industrial sites to serve this market.

RESERVE CAPACITY FOR GROWTH

There is potential for additional scale to the existing Pak'n'Save store with suitable zoning of the adjoining South City Mall site which supermarket operator Foodstuffs South Island already owns.

NEWER GROCERY CONCEPTS SLOW TO ESTABLISH

Other main centres have seen specialist and experiential grocers [25] open, evolve and gain popularity. Beyond smaller, artisanal offers, Dunedin has yet to see this concept develop and thrive.

E-COMMERCE FOCUS & GROWTH

Meal kit solutions such as My Food Bag, Hello Fresh, WOOP and other brands are gaining popularity. While still only a small share of the overall grocery market, this trend will have an impact on supermarket sales.

RETAIL LAND USE CONSIDERATIONS

- Convenience priorities. Customer convenience (accessibility - in particular, parking and proximity to population centres) is the primary focus for major supermarket brands in location decisions.
- Market share focus. Areas where there is only single brand represented currently, likely have a future development focus from competitors who are keen to maintain and grow market share. This includes North Dunedin in the Gardens area.
- Future shift of distribution models. Dedicated e-commerce fulfilment, if adopted in Dunedin, could change the need for additional retail space, however supermarket brands are likely to retain current representation (site numbers and scale), to protect market share.
- Physically constrained sites. The scale of some supermarket sites are limited through physical constraint (ability to create suitable contiguous sites) although that constraint is not always due to zoning.

4.2 | GENERAL LARGE FORMAT RETAIL

OVERVIEW

Dunedin's large format retail (LFR) differs from other main centres in that many tenancies [26] are in older, converted warehouse properties on the edge of the CBD in what is known as the CEC South zone.

Remaining stock is largely purpose-built and located predominantly along Andersons Bay Road, while building and home improvement merchants have established in standalone stores in other parts of South Dunedin [27].

The Warehouse Precinct (WP) within the CEC South Zone LFR zone activates formerly industrial precincts and retains the beneficial occupation of older buildings, that may lack alternative demand[28].

The dedicated large-format zone in South Dunedin is known as the SDLF and encompasses the Andersons Bay Road corridor.

KEY TRENDS

CONCENTRATION

Dunedin's geographic constraints help concentrate audiences and LFR activity enabling retailers to rationalise representation [29]

CONSTRAINED SCALE

Space limitations and high occupancy costs [30] (comparative to audience/population) mean that some LFR's [31]not able to achieve the scale to optimally service a market of Dunedin's size.

POSITIVE DEMAND

There is limited availability for new LFR entrants, while existing operators typically look to improve positioning and efficiencies through relocation [32].

CONSIDERATIONS

ADAPTIVE SOLUTIONS

Dunedin lacks the dedicated LFR retail parks and homemaker-type centres that have established elsewhere in NZ as part of broader sector trends and through the availability of suitable land (lower cost, easily developable and with parking capacity).

LOW DEVELOPMENT APPETITE

Costs and availability of suitable land, challenges creating large, contiguous floor plates, geotechnical considerations and return on investment influence the appetite for development of LFR by property owners.

CATCHMENT

LFR businesses – especially those not represented in Southland or Central Otago, continue to serve a broader regional audience with customers travelling for Dunedin's wider range.

OFF SITE DISTRIBUTION

LFR retailers in the home improvement, furniture, electronics and appliance categories have developed off-site storage and customer collection sites [3]

NECESSARY ADAPTATION

LFR's located in the CEC South zone often occupy older, less suitable sites than the newer more contemporary space that retailers prefer and occupy in other main centres.

E-COMMERCE FOCUS & GROWTH

LFR retailers are focused on growing online trade to deliver improved margin, lessen reliance on traditional store models and locations and increase resilience.

COMPARATIVE RENTALS			
MAIN CENTRE	DUNEDIN	WELLINGTON	AUCKLAND
AUDIENCE (METROPOLITAN)	130,000	435,000	1,670,000
RENTAL RANGE (PRIME)	170.00-200.00	310.00	370.00
RENTAL RANGE (SECONDARY)	125.00-170.00		
		Source Colliers Research December 2021	Source Colliers Research June 2022

RETAIL LAND USE CONSIDERATIONS

- Comprehensive offer. Most brands are represented, although not necessarily always with the scale commensurate with this market.
- Emerging distribution models. Off-site distribution and collection sites help limit the scale of retail space that is required and will continue to be adopted.
- E-Commerce will limit future needs for scale in traditional LFR models. Increased adoption of online shopping with purchases fulfilled from central distribution centres or direct from suppliers will influence the future scale of retail space that is required.
- Development is challenging. Land and construction costs in Dunedin make the development of new LFR properties challenging from a return-on- investment perspective, and for occupiers, where rental costs can be disproportionately higher than comparable areas.
- Dunedin is an efficient market to locate in. The ability to concentrate consumers into a limited number of destinations reduces retailers' need for duplicity of sites.
- Benefits to the City Centre. LFR in the CEC South zone helps maintain activation and vibrancy of these areas, creating economic and social benefits[34]
- Future capacity. Additional LFR development sites will likely become available as sectors such as vehicle retailing and servicing transition to new operational models.
- Potential impact. Any future additional availability of suitably zoned land – coupled with a favourable development climate could compromise the economic and social success of the CEC South zone including the Warehouse District, by attracting occupants and consumers, away from that area.

5.0 E-COMMERCE

5.1 | E-COMMERCE TRENDS

OVERVIEW

E-Commerce is an acknowledged factor in reducing retail visitation and store spending as consumers seek the selection, convenience and value that online shopping provides. Smaller centres – such as Dunedin, where range and choices may be more limited are particularly susceptible to spending attrition through online channels.

While only 11% [35] of overall spend is made online this is largely in discretionary categories, such as those that predominate in the CBD with apparel being the most impacted category. In Dunedin City Centre, apparel and footwear is the largest collective occupier of retail space. Further growth in e-commerce will likely stabilise or limit future demand for space in affected categories.

KEY TRENDS

E-COMMERCE GROWTH HAS SLOWED

Online shopping declined in 2022, however spending is still higher than pre-pandemic levels [36]. Post-COVID, online sales have slowed as consumers have again been able to shop in stores and more recently as financial headwinds – including cost of living increases, affect discretionary spend and affordability.

LOWER THAN AVERAGE GROWTH

Otago has lagged national growth in e-commerce, largely because the region was less affected by lockdowns than highly populated regions including Auckland and Waikato, which remained reliant on online shopping for longer.

CONSIDERATIONS

IMPROVED LOCAL COMPETITIVENESS

Most local retailers have also developed stronger digital visibility and e-commerce channels [37] which improves competitiveness with retailers and pure-play e-commerce merchants nationally and internationally.

ONLINE STRATEGIES

Retailers across all categories including furniture and vehicles, are working to grow online trade to deliver improved margin, lessen reliance on traditional store models and increase resilience.

FOOD DELIVERY

Food delivery services operating in Dunedin – including UBER Eats[38], DoorDash and DeliverEasy are especially popular with younger consumers. University students are a key audience.

TAX CHANGES

Newer businesses often launch first with an e-commerce presence to de-risk and manage costs, before considering retail store presence. Other retailers have grown awareness and goodwill through stores, then moved solely online

DIGITAL FIRST STRATEGIES

Dunedin's student population are digitally adept. Discounted student deals are offered across a range of categories including low cost national and overseas apparel retailers [39]. These increase the value of spend attrition from Dunedin.

DIGITAL NATIVES

From December 2019, overseas businesses that sell goods valued at \$1000 or less to NZ consumers needed to charge GST which affected the competitiveness of previously popular offshore e-commerce websites.

PERFORMANCE TRENDS

OTAGO REGION	2018	2019	2020	2021
SPEND	167,000,000	220,000,000	247,000,000	273,000,000
TRANSACTIONS	1,700,000	2,070,000	2,500,000	2,700,000
AVERAGE BASKET SIZE	\$98.60	\$94.00	\$101.00	\$101.00
SPEND GROWTH	18%	21%	19%	7%
TRANSACTION GROWTH	28%	15%	11%	5%

Source: NZ Post E-Commerce Review 2022

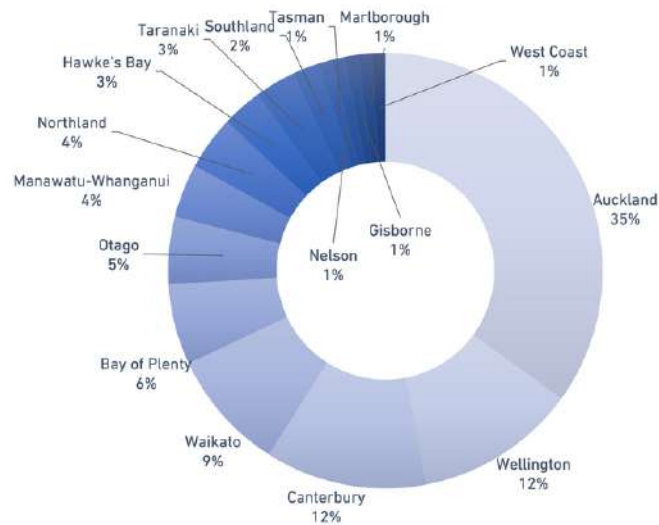


Fig 14. Online spend by region

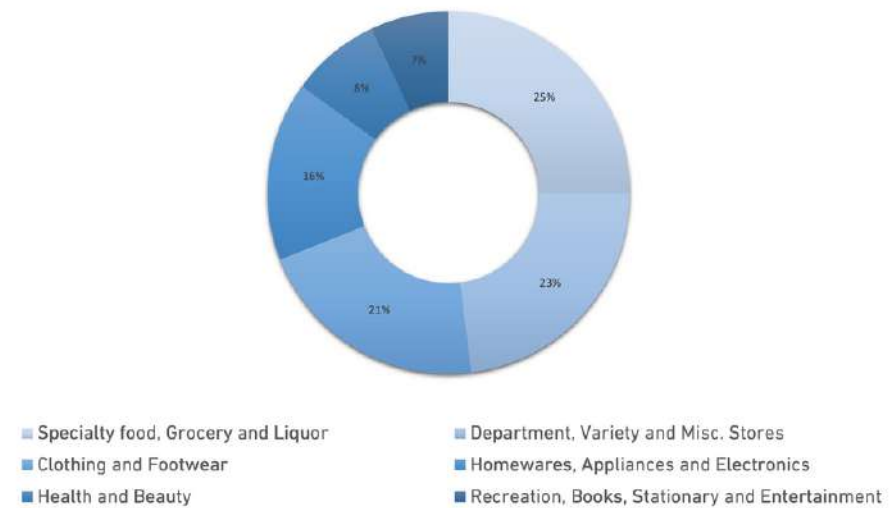


Fig 15. Online spend by category - New Zealand

Source: NZ Post E-Commerce Review 2022

RETAIL LAND USE CONSIDERATIONS

- Increased industrial need. Growth in e-commerce could see a shift from retail to industrial space as businesses move to dedicated fulfilment models that are more efficient and economical through a warehouse operating model.
- Off-site fulfilment. The use of off-site customer fulfilment/collection for bulky goods and internet orders is already being deployed by some large format retailers in Dunedin. More retailers are likely to follow this trend as a cost-effective solution.
- Direct to consumer trends. Growth in e-commerce and in-store trends such as 'endless aisle'[40] could reduce the scale requirements for LFR as goods are shipped from distribution centres to customers directly.
- Dedicated 'dark-stores'. Growth in online supermarket shopping and/or the need for greater efficiency in managing this trend could see dark stores (non-customer facing sites equipped for storage, order assembly and distribution) develop to support supermarkets. These would either be within existing sites, or more likely in industrial spaces when mechanisation can be deployed.
- Changing hospitality models. E-commerce potential benefit the restaurant and cafe sector by creating new channels. There is potential that some businesses could move toward a dedicated delivery-only model, which would limit need or scale for sit in facilities [41].

6

6.0 TRADE RELATED RETAIL



6.1 | TRADE SUPPLIES

OVERVIEW

Construction of the new Dunedin Hospital is anticipated to be one of the largest building projects in New Zealand and create unique demands for workforce and supply chain in Dunedin [42]. Experience from similar projects of scale has helped suppliers manage proactive and reactive requirements through technology-driven on-site fulfilment solutions.

The need for additional housing has been identified with Dunedin City Council proposing new medium density areas with significant capacity for new dwellings, while infill housing is also proposed to reinvigorate urban areas.

- Most national trade suppliers are already represented in Dunedin.
- Trade suppliers are predominantly located and clustered in CSC South zone and South Dunedin.
- Some trade suppliers serve a retail audience, while most retail-orientated home improvement businesses also supply the trades.
- The new Dunedin Hospital is anticipated to provide significant economic benefits to the region through employment, spending and procurement.
- Planning changes have released land and infill development opportunities for additional housing. Demand will drive the pace and scale of any development.

KEY TRENDS

ON-SITE FULFILMENT	PRE-FABRICATION	DIRECT TO SITE DISTRIBUTION
Suppliers to large single-site projects are increasingly installing container stores and vending solutions within major sites for consumables, tools, fixings and other regularly required goods.	Off-site manufacturing and assembly of building elements and modules has helped reduce the need for locally sourced components and consumables - particularly in large building projects.	Trade suppliers [43] have been increasingly centralising supply sources, favouring the distribution centres with products shipped directly to customers and sites.

CONSIDERATIONS

PRODUCTIVITY FOCUS	DIGITAL FIRST STRATEGIES	MODERN DISTRIBUTION MODELS
Productivity is stronger and material losses are limited when construction staff do not have to leave sites for supplies. This favours direct to site fulfilment.	Sites of scale are efficient in anticipating forward needs and pro-actively ordering or having sufficient stock to avoid reactive requirements and local demand.	Suppliers to projects of scale are typically shipping goods directly from distribution centres rather than from local trade counters.
ECONOMIC CONSTRAINT	TRADE SUPPLY CAPACITY EXISTS	INDUSTRIAL REQUIREMENTS LIKELY
Increasing interest rates will limit residential development and improvement activity - reducing demand from these sectors as current projects complete.	Trade counter capacity is anticipated to be sufficient given the current representation and footprint of businesses servicing the construction industry and the changing distribution models of this sector.	Supporting the needs of increased residential development would likely require industrial land for facilities such as pre-nail truss manufacturing - not smaller, over-the-counter, supply needs.

RETAIL LAND USE CONSIDERATIONS

- Direct-to-site trends. Pro-active demand is likely to be fulfilled directly from distribution centres – bypassing local trade counters.
- On-site stores and vending. Demand for reactive requirements is likely to be largely fulfilled from on-site solutions that preferred suppliers will manage.
- Needs likely met within existing trade retail spaces. Trade suppliers are anticipated to be able to manage demands within their existing store footprints and scale.
- Industrial over retail demand growth is likely. Any additional space requirements are likely to be of an industrial nature (for depot facilities, storage, devanning and fabrication)
- Emerging uses. There is likely to be demand for retail space from labour hire and skill development organisations, to support the new Dunedin Hospital project[44].

7.0 TOWN AND CITY CENTRE DYNAMICS

7.1 | GEORGE STREET

OVERVIEW

George Street is comprised of four blocks that feature the greatest density of retail and hospitality activity in the Central City. These include a diverse mix of shopping, casual dining and service categories, scale of operations and ownership models.

Student and event audiences create unique, seasonal demand. Most nationally represented, popular small and mid-format retailers in Dunedin choose to locate within this precinct. The three inner-city malls enable retail concentration, help sustain seasonal appeal and support accessibility through additional off-street parking

KEY TRENDS

INCREASING USE CHANGES

Experience, entertainment and wellness uses are increasingly occupying former retail and hospitality tenancies with lesser-otherwise demand [45].

REFRESHMENT AND RE-POSITIONING

Retailers have benefited from recent availability to secure improved locations and spaces to deliver better commercial performance and shopper experiences [46].

NEW ENTRANTS

Several major retail brands[47] – new to Dunedin, have recently opened stores in George Street, with the Golden Block a preferred location.

CONSIDERATIONS

BLOCK CHARACTERISTICS

George Street is Dunedin's prime shopping precinct and comprised of four blocks – each with their own unique character, appeal, attraction and performance characteristics [48].

DEVELOPMENT CONSTRAINTS

While some property owners are upgrading properties in the prime retail strips in and adjacent to the Golden Block, low returns on investment limits appetite for more major redevelopment.

AUDIENCE CHANGES

Dunedin CBD has been a popular regional shopping and dining destination [49], however improved offers and experiences in Invercargill and Queenstown[50] have reduced demand from these catchments.

DEMAND CHALLENGES

Lower demand [51] and the significant improvements necessary to rehabilitate some properties in the Knox block create challenges for property owners and the successive nature [52] of retail in this specific area.

TEMPORARY IMPEDIMENTS

The George St upgrade is creating recognised temporary impacts on visitor experience and the appetite from some businesses to invest. As blocks complete confidence appears to return [53].

EMERGING OPPORTUNITY

George Street is well positioned to benefit from the new Dunedin Hospital Development both in its construction phase through worker spend and once complete, from staff, and visitors.

RETAIL LAND USE CONSIDERATIONS

- Use changes. Shifts in the use of secondary retail spaces toward entertainment, health and wellness categories reflect a growing experience-led economy[54]. With Dunedin's younger audience continued growth in these sectors are anticipated.
- Future capacity. Categories that have been steadily rationalising representation – such as banks, have large sites in George Street. It is likely that their continuing shift toward digital channels will see longer term changes in need and potentially the centralisation of remaining consumer-facing sites. This would create increased capacity for new retail uses.
- While the Golden Block is a preferred location for national and international brands, improvements to the streetscapes in adjacent blocks (Farmers and Edinburgh) will likely support broader appeal and consideration. There are properties in each of these areas that could be suitable for incoming or relocating operators and create additional prime capacity.
- Development constraints. Older building stock and infill potential creates opportunity to create further modern retail space however heritage requirements and low returns on investment challenge property owners' appetite for new development [55].

7.2 | SOUTH DUNEDIN

OVERVIEW

South Dunedin is one of the city's original neighbourhood centres with King Edward Street being the predominant traditional retail precinct, while Andersons Bay Road is known as the South Dunedin Large Format Zone (SDLF).

Parts of this area are particularly vulnerable to climate change and experienced significant impacts from past weather events including a flood in 2015 that damaged 1200 properties. This risk is a factor affecting development and the attraction of businesses to the area.

South Dunedin is a large, diverse, mixed-use area that includes traditional strip retail in a 'township' format through to LFR stores amongst industrial and residential uses. Ability and confidence for reinvestment in King Edward Street is limited, which is reflected in the declining standard of properties and retail offer, however some retail regeneration is occurring.

New LFR developments are underway in the SDLF zone, however high land and development costs limit scale with occupiers modifying their store formats and operating models in this location to achieve presence.

KEY TRENDS - KING EDWARD STREET		
ACCESSIBILITY BENEFITS	REFRESHMENT AND RE-POSITIONING	INDEPENDENTS AND ARTISANS
A growing number of health services including audiology and optometry businesses have and are looking to establish in the area because of greater accessibility[56]	Dunedin City Council is constructing a new library in South Dunedin in 2025, while private developers have been refurbishing buildings catalysing early regeneration.	King Edward St's community culture, bohemian nature and lower costs in occupation has attracted emerging, entrepreneurial artisans and traders to the area creating a 'successive' retail economy.
KEY TRENDS - ANDERSONS BAY ROAD		
GATEWAY ROLE	LARGE FORMAT RETAIL CLUSTERING	CONCENTRATING ACTIVITY
Andersons Bay Road is an arterial route serving a large residential catchment which is reflected by the area's concentration of 3 existing supermarkets while a 4th is proposed [57].	Kmart's development in the former Smith's City site strengthens the area's LFR offer and complements neighbouring bulky-goods retailers including Mitre 10 Mega.	The area's retail anchors include a large scale regional Mitre 10 Mega and The Warehouse, which has recently closed stores in Mosgiel and Dunedin CBD in favour of a single site in this precinct.

RETAIL LAND USE CONSIDERATIONS - KING EDWARD STREET

- Redevelopment potential. The King Edward Street precinct and environs has a large amount of underutilised or redundant buildings. Land capacity exists for future development where economics of construction allow and tenancy demand could be established.
- Development constraints. Capacity through development sites exist through the amalgamation of titles and demolition of existing buildings however geotechnical challenges, coupled with the impact risks of climate change limits the appetite and ability of owners for these types of projects.
- Scalability exists. One of South Dunedin's largest retail anchors – Pak'n'Save supermarket owner Foodstuffs South Island, owns the adjoining property known as South City Mall, This enables future scalability for this regional shopping destination. It is understood the company does plan to develop this site in the future however no announcements have been made on this to date.
- Future availability potential. Retail banks are also well represented in this area, in properties of medium scale and good quality. Any further rationalisation of sites in this category would create increased capacity for new entrants or relocating businesses in the longer term.

RETAIL LAND USE CONSIDERATIONS - ANDERSONS BAY ROAD

- Increased capacity. The 2GP plan change has created additional capacity for retail development in this area – paving the way for development of the New World supermarket in Midland Street – a project that was proposed and disallowed under previous zoning.
- Further land capacity exists for development, however build-to-rent LFR market requires financial returns that are challenged by land and construction costs and what occupiers in these categories can afford within their business models[58]. While some LFR businesses want to establish in this tightly held area, their operating model in terms of occupancy budgets, preclude them from doing so.
- Kmart's development, that is modified in scale by comparison to their usual footprint for a catchment of Dunedin's size, reflects the need for LFR businesses to adapt their operating and occupancy model specifically to the higher land and development costs that exist there.



7.3 | HIGH STREET RETAIL

OVERVIEW

Dunedin's CBD is a characterful shopping, dining and entertainment destination that benefits from a centralised core of popular stores, complemented by adjacent and radiating precincts that have developed around specific genres and specialties.

Most nationally represented brands have stores in Dunedin.

A strong hospitality offer complements the retail experience. Inner-city malls serve to further concentrate consumers. Major audiences (offices, Hospital and University) are close by.

KEY TRENDS

VERTICAL RETAIL SHIFTS

Within the CBD's prime city blocks has been a gradual and now almost total shift from independent retailers to national and international brands that operate as vertical retailers – benefiting from scale and margin.

NATIONAL BRANDS LEAD GROWTH

New Zealand brands have led recent new openings, relocations and store upgrades – demonstrating national awareness and confidence in the Dunedin market [59].

EXPERIENCE & LEISURE

Experience-led, leisure shopping, with differentiated offers and engaging environments interspersed with quality hospitality characterises Dunedin's successful retail precincts.

CONSIDERATIONS

TURNOVER RENTS

Growing demand from major brands for turnover rents are not conducive to Dunedin's prime retail areas and sites where occupancy is high and property owners already face higher holding and operating costs. This is why some chains are not yet represented.

ANCHOR ATTRACTORS

Value-orientated international apparel retailers are recognised for their anchor benefit in attracting customers to centres, however often locate based on leasing inducements. Higher occupancy levels of malls in Dunedin, coupled with a slowdown across the category has delayed the arrival of some brands.

CONCENTRATING ACTIVITY

The closure of department store H&J Smith has left noticeable gaps in the beauty and fragrance category – some, but not all of which will be addressed with Chemist Warehouse's opening. Other gaps – based on comparative CBD's are in casual apparel.

LONGER ACTIVATION

Upcoming moves including Les Mill's gym locating into the Meridian Centre and retailers with longer hours – such as Chemist Warehouse opening, will further activate the city centre in the mornings and into the evening.

DESTINATION APPEAL

Dunedin's CBD experiential retail proposition complements the region's destination marketing efforts – especially the major event focus. Enriching, memorable shopping and dining experiences drive goodwill and advocacy.

SUCCESSIVE RETAIL

While prime retail space is tightly held, areas outside of these precincts do have some availability and affordability, that supports the needs of emerging and successive businesses.

SUMMARY

Dunedin CBD's architectural character, concentration and uniqueness help separate it as a destination from other main centres, despite its similar retail proposition.

The CBD remains a dominant and popular destination for contemporary retail and hospitality experiences and the consumers that seek these.

Area specialties and clusters have developed in the CBD which create confident consumer destinations through range and choice.

The CBD's broad stock of available spaces creates incubation opportunities for emerging, artisanal businesses to establish.

Increased activation of the CBD through new and habitual destinations opening will enhance vibrancy.

RETAIL LAND USE CONSIDERATIONS

- Capacity exists within the CBD. Prime retail precincts –such as the Golden Block, are tightly held, but the availability of space exists in adjoining areas.
 - Changes in occupancy type (such as gyms and entertainment centres) will increasingly utilise former, typically secondary, retail space.
 - Demand exists, but it is conditional. Market entry for some brands is challenging as the incentives they have benefited from in other centres are not available in Dunedin.
-

8.0 FLEXIBLE WORKING IMPACTS

8.0 | FLEXIBLE WORKING IMPACTS

OVERVIEW		KEY TRENDS
<p>Flexible work and study (WFH) have had a significant impact on central cities in New Zealand and internationally as consumers spend more time and money within suburban and regional centres.</p> <p>Major employers and universities are now encouraging greater in-person presence [60] however, this is not likely to see a full return of the audiences that CBD's enjoyed prior to the pandemic.</p>		<ul style="list-style-type: none"> • Working from home and study from home has impacted the CBD. • Businesses reliant on the weekday audience are most affected. • Some improvement is occurring, but flexibility will remain. • The CBD's proposition is and will continue to adapt accordingly. • Contemporary offers and experiences continue to centre on the CBD which attracts people – even if they are working flexibly.
KEY TRENDS		
COMPETITIVE MARKET	NEEDS & MARKET DRIVEN	NEW NORMALCY
Staff and students prefer the freedom to choose how they work and study. Employers and universities that offer flexible engagement gain priority in the current competitive market.	Dunedin's dominant office occupiers including the government, educational and tech sectors have had to adopt flexible working for resilience and the retention of valuable talent.	Compromise patterns are establishing with mid-week office attendance a common theme, while Mondays is also favoured by some employers. Fridays remain the most popular day for working from home.
EARNING THE RETURN	REFRESHED CBD ENVIRONMENT	SEASONAL INFLUENCES
Major employers are developing new workplace environments to attract staff back into offices, while universities are similarly improving their experiences in order to improve in-person participation.	Improved social and recreational space and opportunities in the new streetscape will help attract people into CBD work and study environments by providing experiences people want to be a part of.	Environmental changes could favour a return to work and universities as colder weather sets in and utility costs increase. Equally, flexible arrangements will remain popular during the summer months.
CONSIDERATIONS		
NEW TRENDS EMERGING	SUBURBAN UPLIFT	SPENDING PERFORMANCE LIKELY LINKED
Traditional audiences – such as drinks after work on Fridays have now given way to mid and later week evening trade – reflecting the different days and times people are coming to work.	Many suburban and regional centres around NZ have experienced a spending uplift with larger daytime audiences to support. Dunedin has experienced uplift outside the CBD and an only recent return to pre-COVID spending within the city centre.	While overall spending in Dunedin has risen, trade in the CBD has only recently reached levels achieved in 2019 and remains challenging on an inflation-adjusted basis. This reflects fewer visitors and a likely reduction in workers spending in local businesses.

MODERN WORKSPACE MODELS	NEW CONNECTORS	RETAINED AUDIENCE
While contemporary shared offices and co-working spaces have proliferated in other centres, Dunedin has few in its CBD. These collegial environments attract people who would otherwise work remotely.	Popular destinations – such as Les Mills Gym establishing in the Golden Block will reconnect people with the CBD, including those working from home. This creates opportunity for neighbouring retail and hospitality businesses to leverage this large audience.	While Dunedin has lost some inbound business travellers, those that would otherwise travel outside the region to work are now benefiting the local economy through working remotely.

RETAIL LAND USE CONSIDERATIONS

- Embedding culture. Flexible work/study will continue - driven by technology, demand and the competitive employment/education environment. Centres [61] with a similar makeup of workforce and students are anticipating a decline of 15-20% in weekday audience, on pre-pandemic levels.
- Suburban space demand uplift has not eventuated. Flexible work/study has had minimal impact on demand for retail space in Dunedin's suburbs.
- Emerging categories take up any slack. CBD stores that have closed because of changing daytime audiences have largely been replaced by other categories [62].
- Dunedin CBD continues to deliver the strongest experience-led consumer offer. Any additional suburban demand has been managed within existing capacity; however, the CBD remains a preferred consumer destination for contemporary shopping, café and dining experiences.

9.0

LAND EXTENSIVE USES

9.1 | VEHICLE SALES, RENTAL AND SERVICE

OVERVIEW

Dunedin's vehicle dealers serve a broad regional audience and a significant commercial base including the industrial and rural sectors. This has traditionally required large sites and the establishment of extensive infrastructure including storage, sales, service facilities

- Second-hand dealerships have predominated in the Kaikorai Valley
- New vehicle dealerships mostly locate in Andersons Bay Road
- Car rental operations centre mainly outside the city at Dunedin Airport
- Dunedin's car dealers serve a broad regional audience

KEY TRENDS

SECTOR CONSOLIDATION

The car sales industry has increasingly contracted since the GFC [63]. Fewer dealers now sell more brands. Car rental brands have also amalgamated while some competing operators in Dunedin share facilities [64].

CHANGING SALES MODELS

Manufacturers are moving toward direct selling [65] while agile showrooms [66], social media and internet sales are increasing in popularity [67].

ELECTRIFICATION TRENDS

The continued shift toward electric drivetrains will reduce the frequency and scale of servicing creating a surplus of space that was been dedicated to workshops.

CONSIDERATIONS

MAJOR EXISTING INFRASTRUCTURE

Significant existing investment in current facilities would require compelling alternative financial returns for property owners redevelop sites in the short term.

LARGE GEOGRAPHIC CATCHMENT

Dunedin motor vehicle retailers service a large geographic retail and commercial catchment requiring corresponding capacity and scale.

OCCUPIER-OWNED SITES

Dunedin's larger-scale vehicle retail sites are owned by the dealers occupying them, directly [68].

RETAIL LAND USE CONSIDERATIONS

- Consolidation. Changing distribution models will see fewer smaller car sales sites, with likely consolidation into larger, established facilities in the medium term.
- Concentrating activity and demand. Continuing contraction in the regional market will concentrate demand toward Dunedin's dealers in the medium term.
- Electrification will change the scale and quantity of service sites and refuelling stations as local charging facilities proliferate in the medium to long term.
- Rationalisation is occurring across the sector – particularly used vehicles, is continuing and reflected in the vacancy of former car sales sites in Kaikorai Valley Rd.
- Future capacity. Some car yards in the Andersons Bay Road area will likely become available in the long term as demand changes impact business sustainability.

9.2 | SERVICE STATIONS AND FUEL STOPS

OVERVIEW

Dunedin has seen significant investment by new and incumbent petrol station operators in existing and additional sites across the city and suburbs.

Large volume, prime sites typically include convenience stores and food offers but newer format stores utilise a self-service model that enables greater competitiveness in fuel pricing and economies of operation.

- New self-service gas stations have developed across Dunedin City.
- Challenger brands Waitomo & NPD have recently entered the Dunedin market.
- Accessibility and convenience are primary requisites for gas stations.
- Service stations are anchors and attractors for retail areas[69].
- All major and most independent fuel brands are represented in Dunedin.

KEY TRENDS

DIVERSIFICATION FROM FUEL REVENUE

Traditional fuel station models with shops continue to increase their convenience retail and food offer as an anchor to attract consumers, grow market share and build resilience against declining core categories.

CHANGING SALES MODELS

App and at-pump payment reduce the requirement of manned stations. New sites are predominantly self-service models using less space without need for a retail shop and customer amenities.

ELECTRIFICATION TRENDS

Increased adoption of electric vehicles will reduce the need for dedicated service stations as drivers can recharge their cars at home or through public charging facilities.

CONSIDERATIONS

MAJOR INVESTMENT

Recent development of new petrol stations and the refurbishment of existing facilities indicates these sites are anticipated to be successful into the medium term. Most have at minimum 10-year leases, reflecting the significant investment in infrastructure.

SECTOR ENDURANCE

Analysis by NZ fuel retailer Z Energy suggests demand for fossil fuels will be positive till at least 2026 and strong for at least a decade beyond this – driven by the current fleet and the fuel needs of heavy transport operators [70].

ALTERNATIVE FUELS

Alternative fuels such as hydrogen will still require specialised storage and sale of the gas. Early users of hydrogen are anticipated to be heavy transport and industrial users. Dedicated hydrogen fuelling stations are planned in Southland later in 2023.

RETAIL LAND USE CONSIDERATIONS

- Recent investments including the opening of new service station sites indicate long term performance expectations for the category.
- The availability of these sites for recycling into alternative uses is not anticipated in the medium term.
- In other regions quick service restaurants including Burger King and McDonalds co-locate with fuel stations. This could provide capacity for future entrants.

9.3 | QUICK SERVICE RESTAURANTS

OVERVIEW

Quick Service Restaurants (QSR)'s range from smaller format Subway stores, through to standalone premises for brands such as Burger King, KFC, Wendy's and McDonalds. Larger format models rely on bigger, visible and accessible sites.

QSR's are increasingly changing their traditional business models as convenience and delivery become bigger factors in their location decisions.

- QSR's are popular with Dunedin's younger audience.
- Many, but not all major QSR brands are represented there.
- New QSR brands are entering the New Zealand market.
- QSR audiences are largely mobile and rely on accessibility,

KEY TRENDS

DRIVE-THRU TRENDS

Growing customer preference for drive-thru convenience requires increased capacity through dual lane ordering and serving and the future potential for dedicated drive-thru only sites [71].

DELIVERY GROWTH

In Dunedin, all main QSR brands offer delivery services – either through third-party providers such as UBER Eats, DeliverEasy, DoorDash or directly employed drivers. This requires vehicle accessibility.

ELECTRIFICATION TRENDS

Brands such as McDonalds are exiting some traditional sites such as foodcourts in favour of drive-through locations in response to consumer trends and preference. This is a global trend for the sector.

CONSIDERATIONS

FUTURE DEMAND

There is unmet demand for QSR sites for brands yet to establish in Dunedin and existing operators considering additional stores. These would likely be along arterial routes - such as Andersons Bay Road.

BUSINESS CONFIDENCE

Growth in smaller, franchised QSR businesses is constrained by a shortage of potential franchisees. Franchisors and shopping centres suggest demand exists, however operator confidence is subdued.

ACCESSIBILITY PRIORITIES

Standalone QSR's increasingly rely on vehicle-based audiences, or through delivery that require vehicle journeys.

RETAIL LAND USE CONSIDERATIONS

- Larger QSR brands have long-term leases in place to protect trade and goodwill. Most have already identified and occupy locations most suitable for their needs.
- Additional sites for existing operators are typically developed to support new or growing audiences which Dunedin does not have currently.
- Brands including McDonalds and KFC are upgrading existing sites to improve drive thru capacity, respond to delivery needs and changing customer preferences.
- Brands including Carl's Jnr are not yet represented in Dunedin, despite stores across other main and regional centres. High-traffic drive-thru sites are a requisite.

10.0| REFERENCES - SPENDING DATA - BY CATEGORY

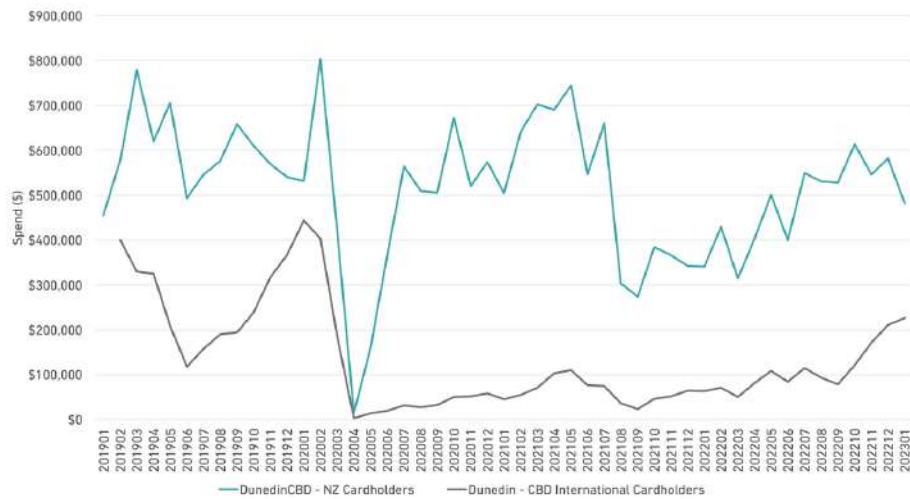


Fig 16. Dunedin CBD - Accomodation Spend

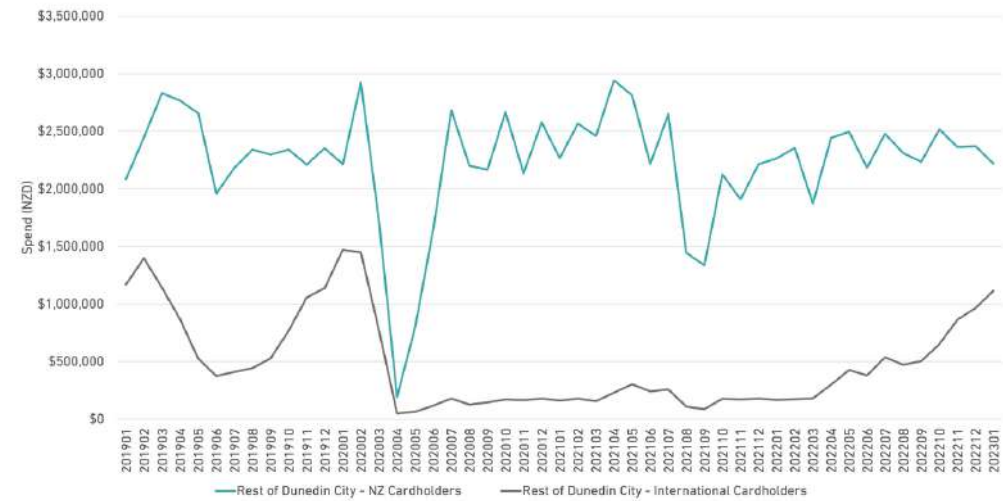


Fig 18. Dunedin City – Accomodation Spend

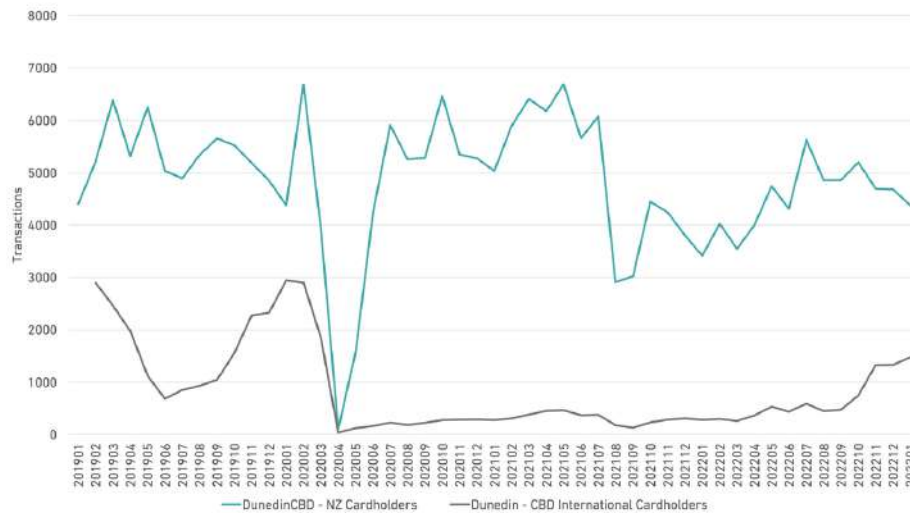


Fig 17. Dunedin CBD - Accomodation Transactions

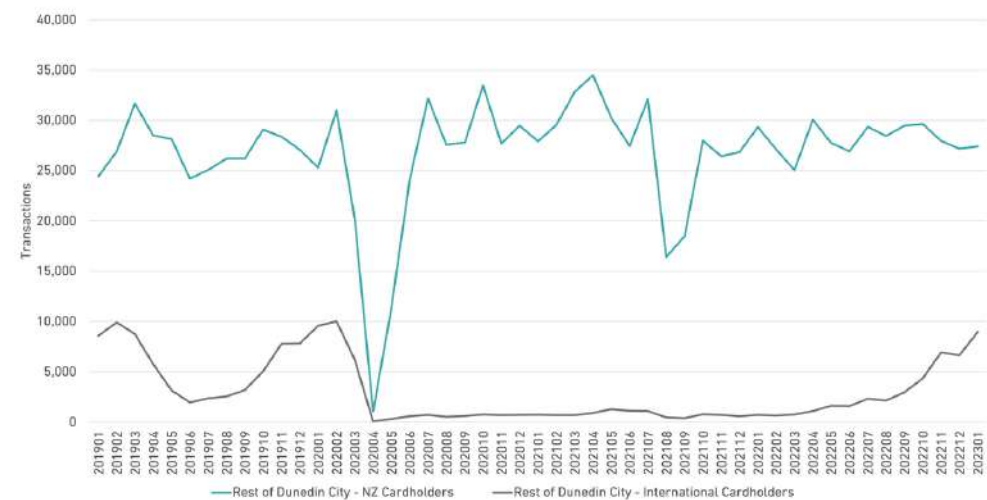


Fig 19. Dunedin City – Accomodation Transactions

Source: Marketview for Dunedin City Council

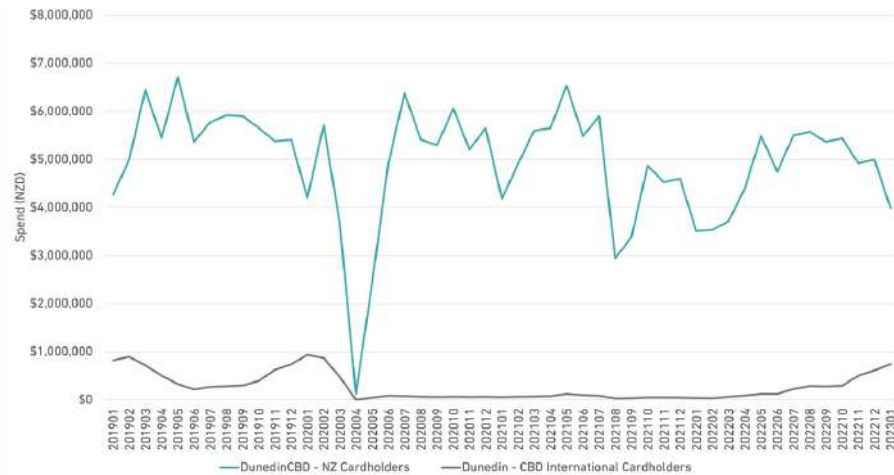


Fig 20. Dunedin CBD - Cafes, Restaurants, Bars and Takeaways – Spend

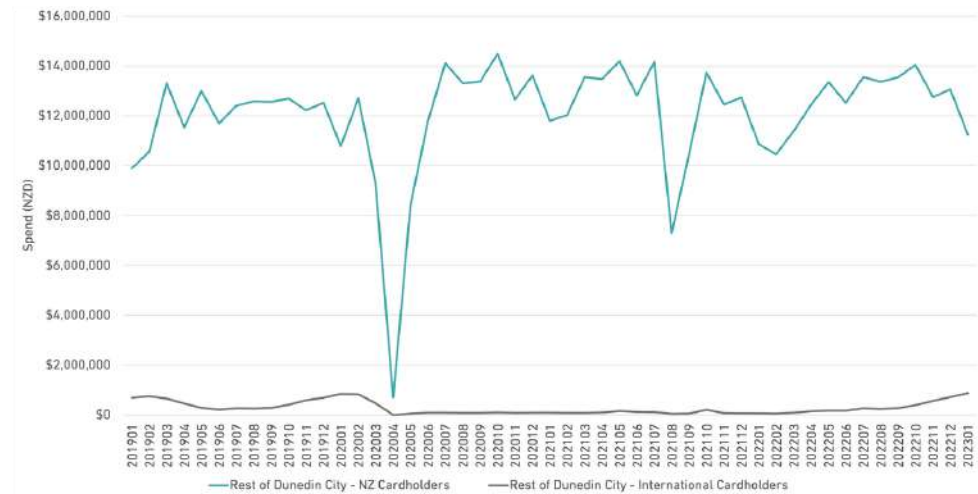


Fig 22. Rest of Dunedin - Cafes, Restaurants, Bars and Takeaways – Spend

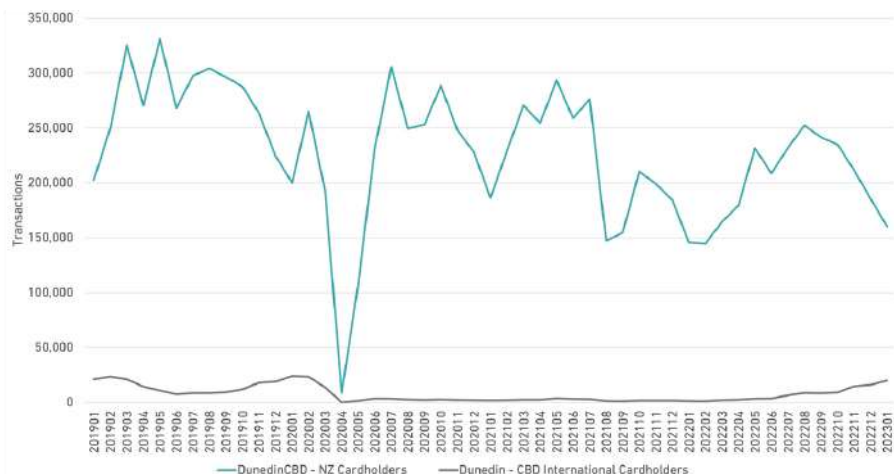


Fig 21. Dunedin CBD - Cafes, Restaurants, Bars and Takeaways – Spend

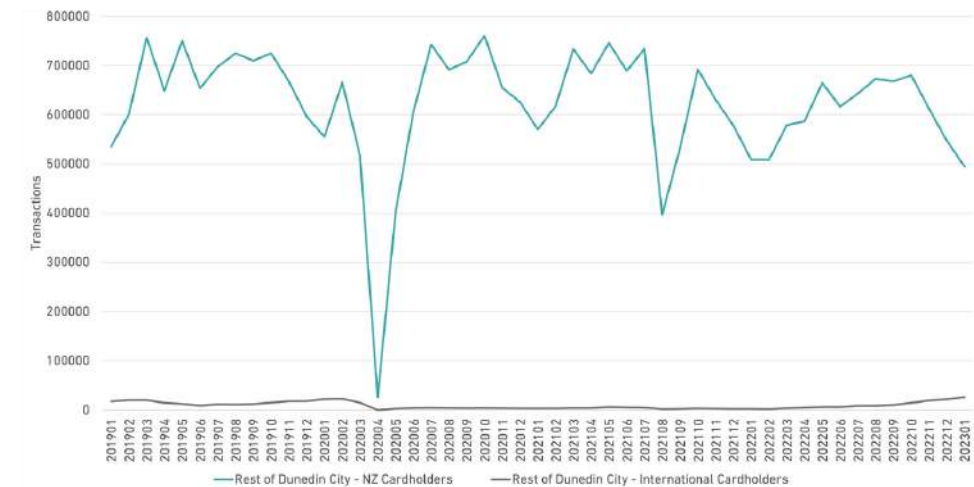


Fig 23. Rest of Dunedin - Cafes, Restaurants, Bars and Takeaways – Spend

Source: Marketview for Dunedin City Council

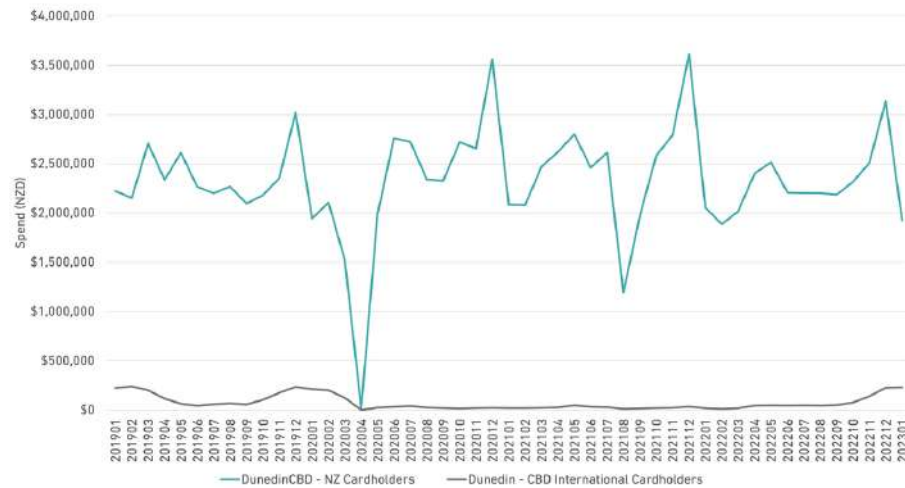


Fig 24. Dunedin CBD - Apparel and Personal: Spend

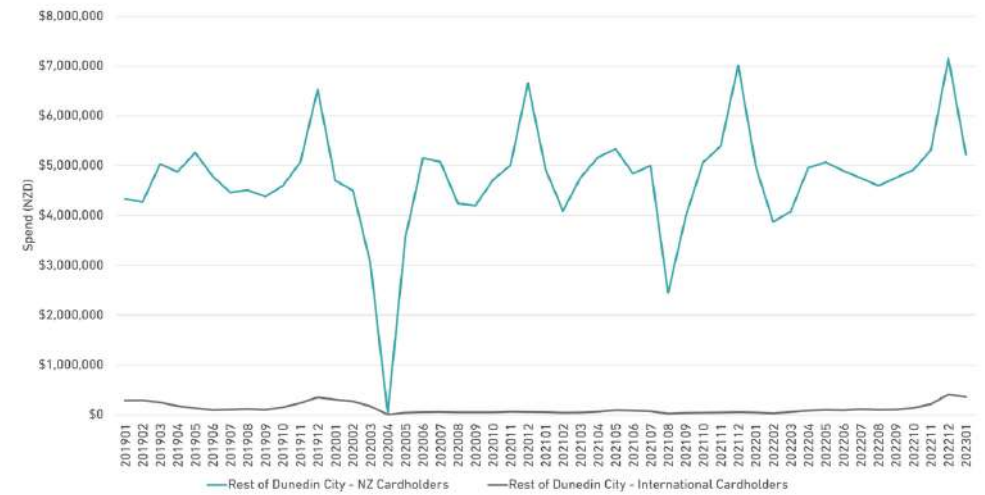


Fig 26. Rest of Dunedin - Apparel and Personal: Transactions

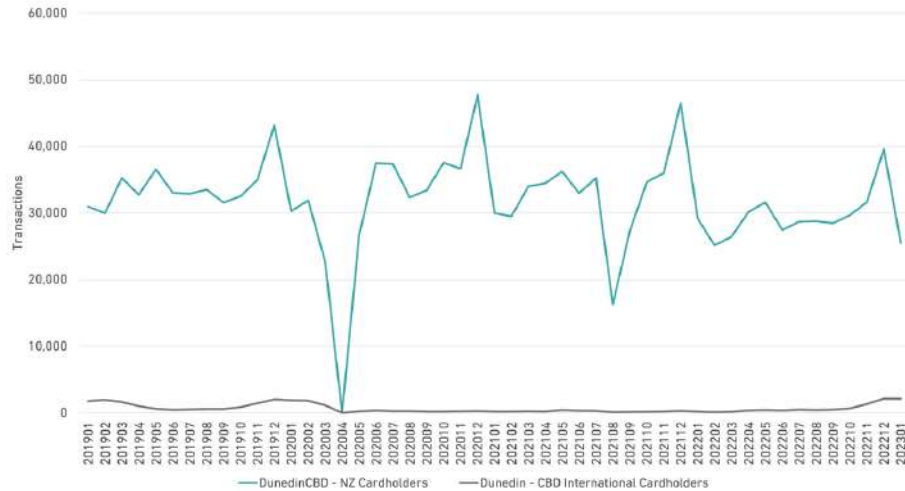


Fig 25. Dunedin CBD - Apparel and Personal: Spend

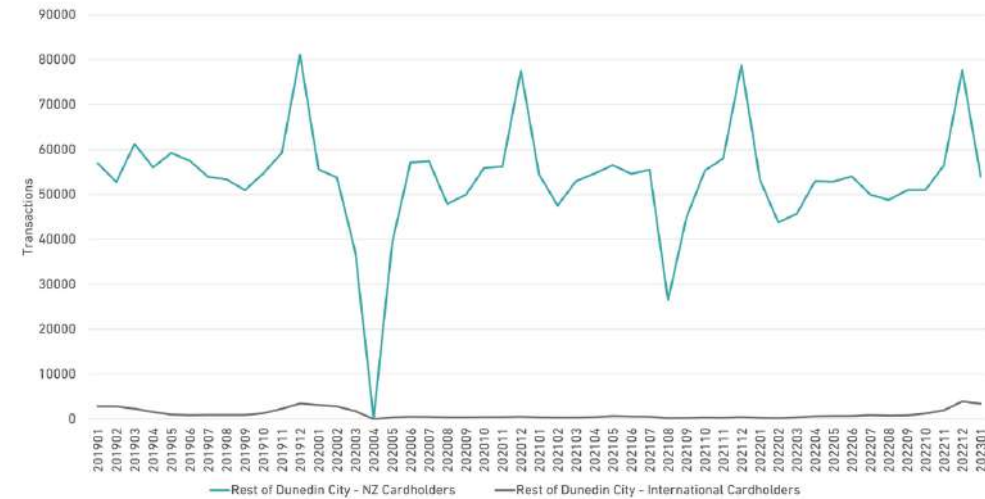


Fig 27. Rest of Dunedin City Apparel and Personal: Transactions

Source: Marketview for Dunedin City Council

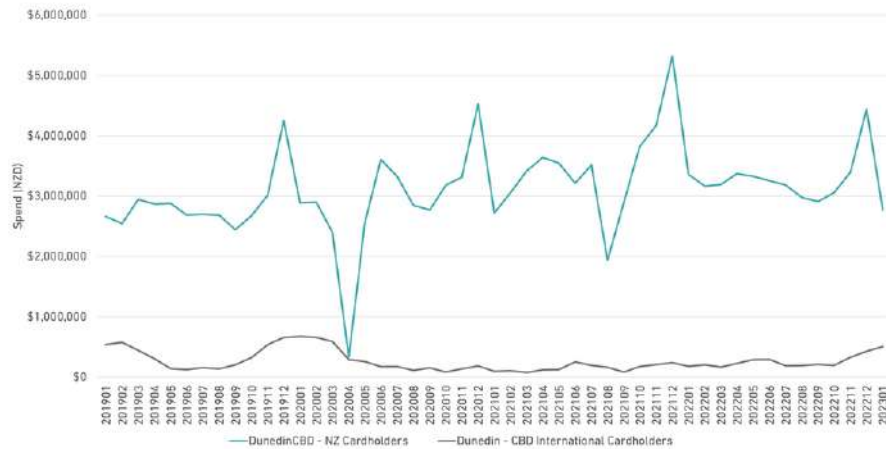


Fig 28. Dunedin CBD - Department Stores and Leisure – Spend

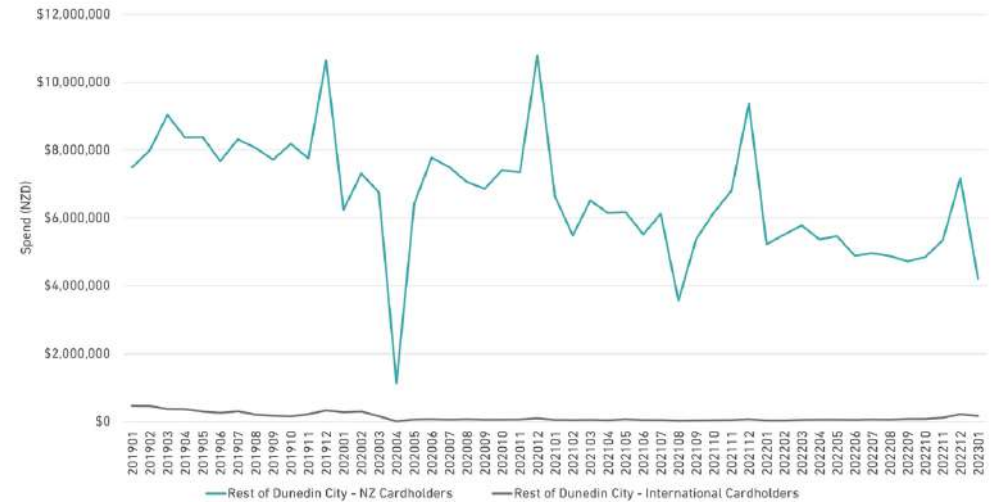


Fig 30. Rest of Dunedin City - Department Stores and Leisure - Spend

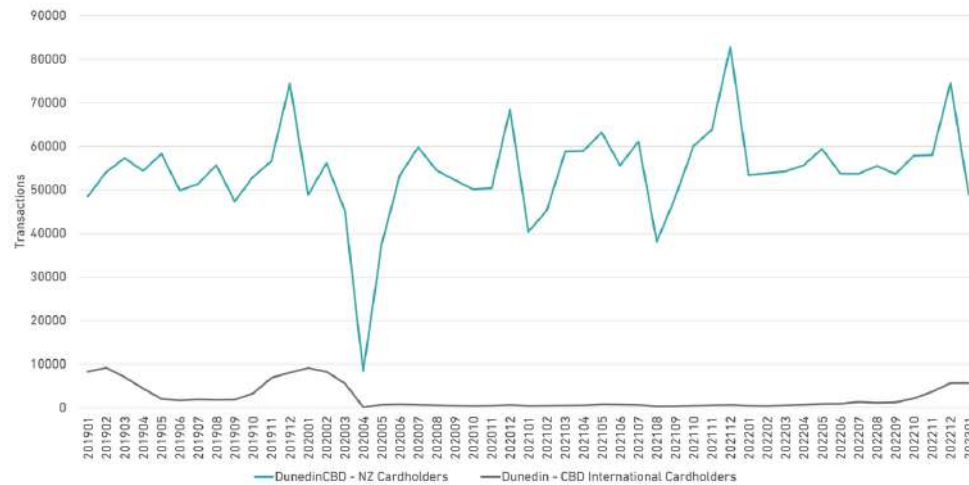


Fig 29. Dunedin CBD - Department Stores and Leisure – Transactions

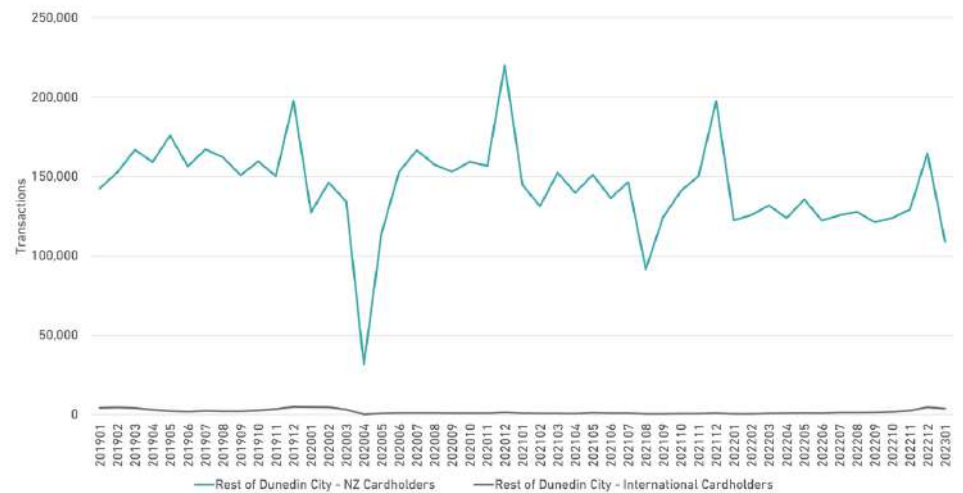


Fig 31. Rest of Dunedin City - Department Stores and Leisure - Transactions

Source: Marketview for Dunedin City Council

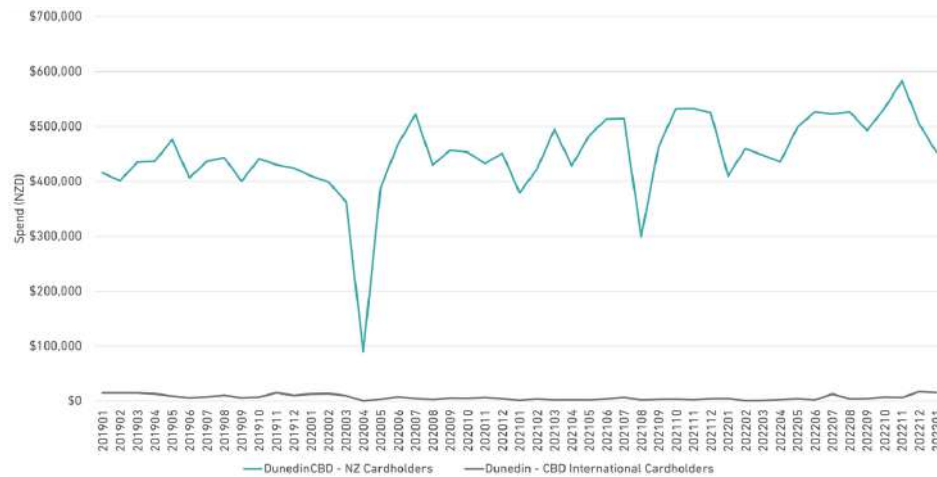


Fig 32. Dunedin CBD - Fuel and Automotive Spend

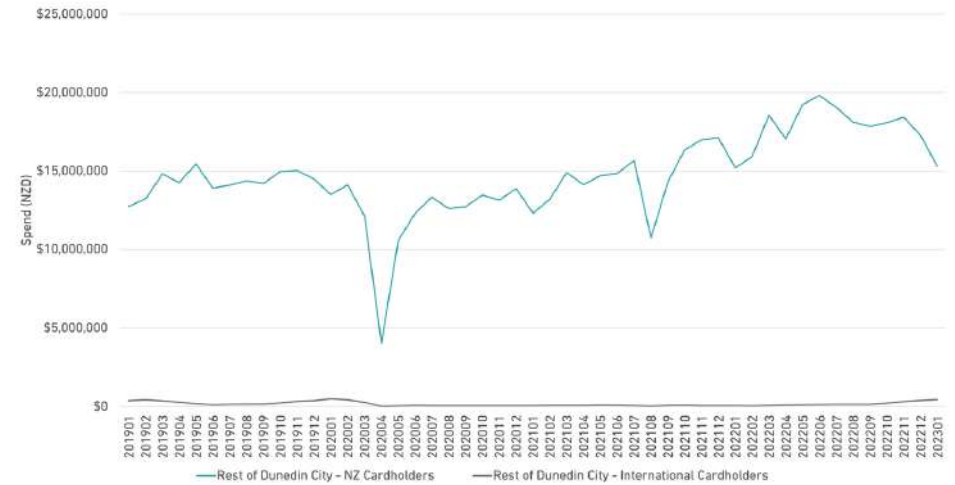


Fig 34. Rest of Dunedin City - Fuel and Automotive Spend

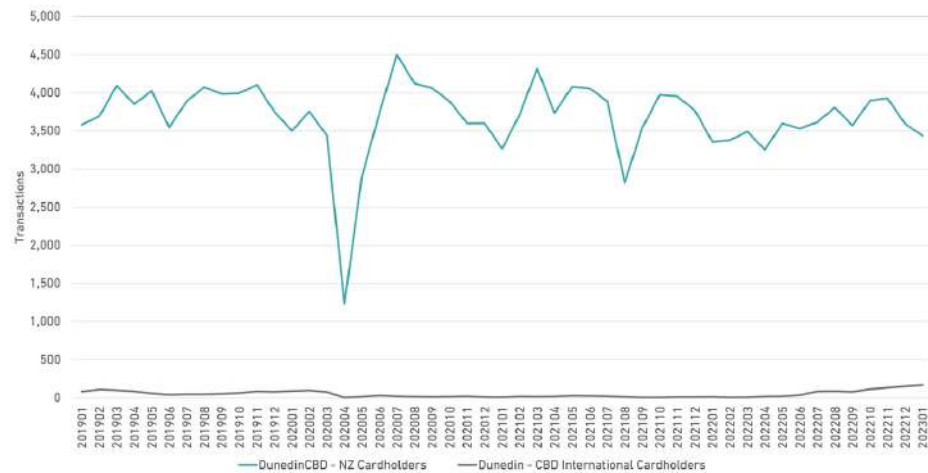


Fig 33. Dunedin CBD - Fuel and Automotive Transactions

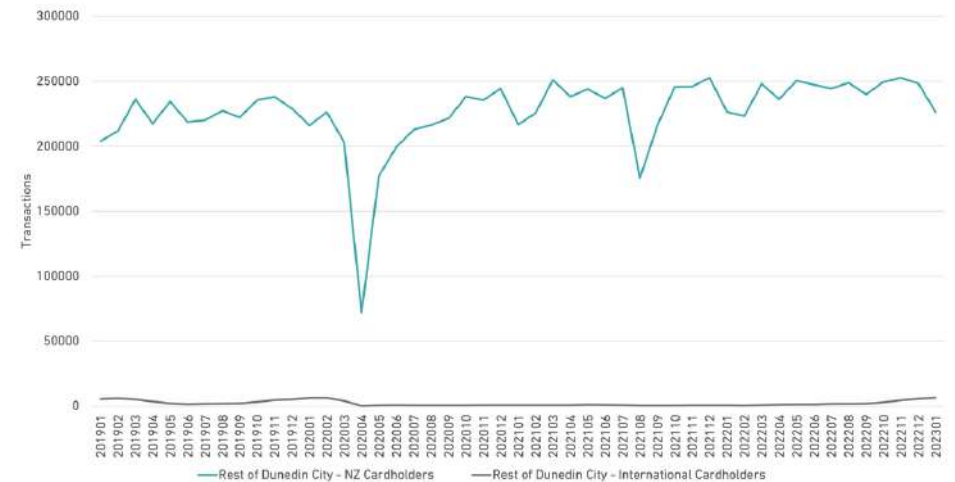


Fig 35. Rest of Dunedin City - Fuel and Automotive Transactions

Source: Marketview for Dunedin City Council

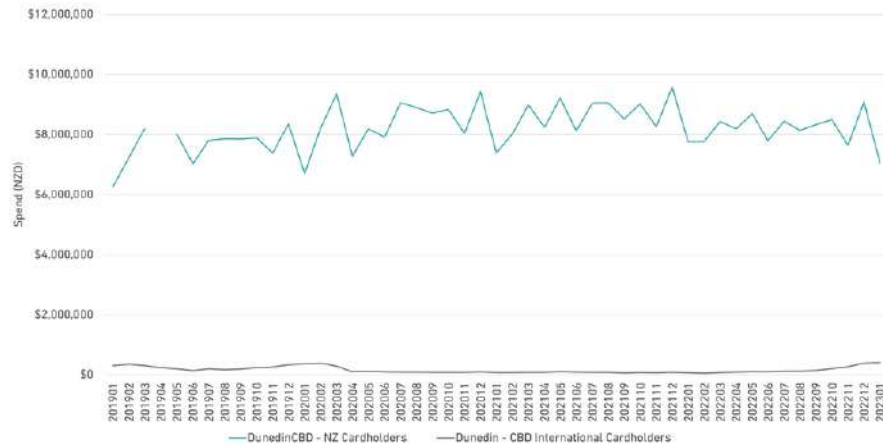


Fig 36. Dunedin CBD - Grocery and Liquor – Spend



Fig 37. Dunedin CBD - Grocery and Liquor – Transactions

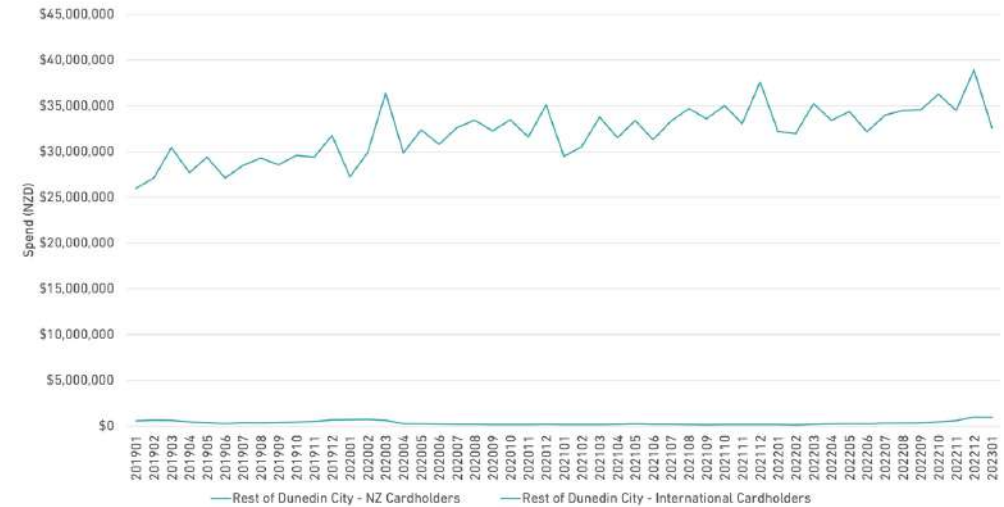


Fig 38. Rest of Dunedin City - Grocery and Liquor – Spend

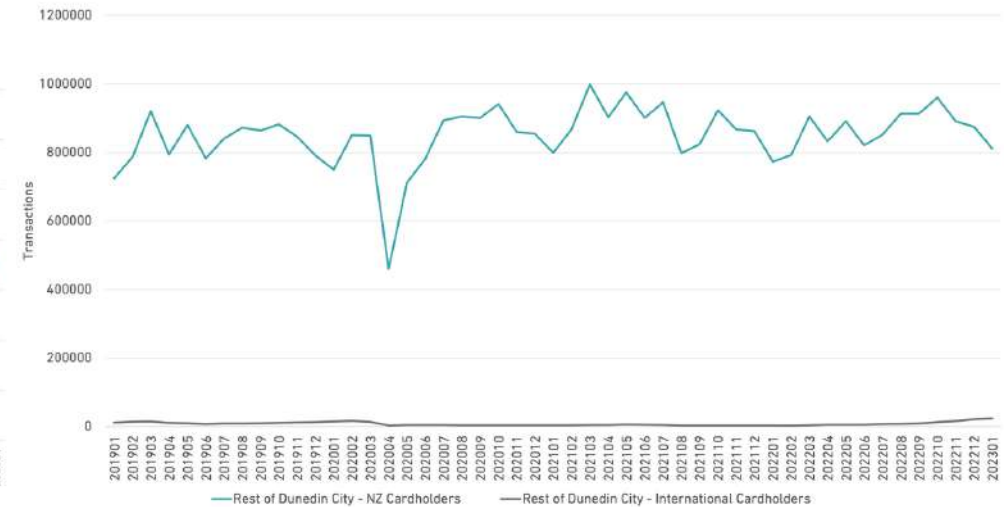


Fig 39. Rest of Dunedin City - Grocery and Liquor – Transactions

Source: Marketview for Dunedin City Council

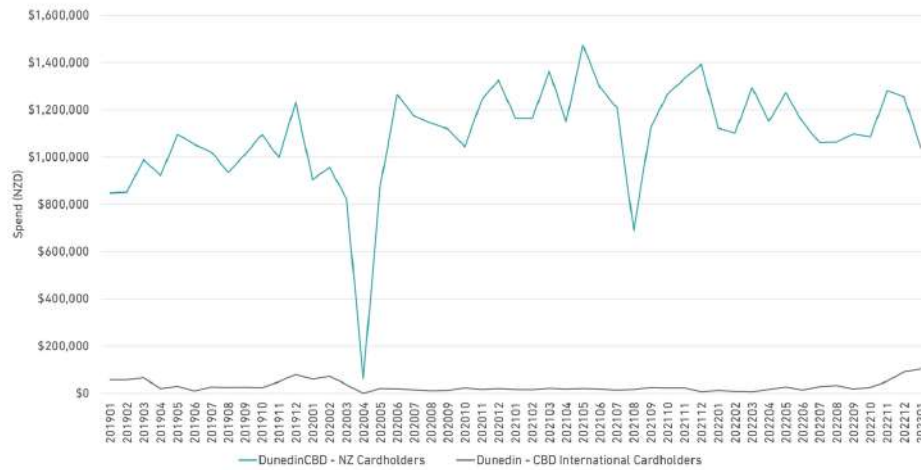


Fig 40. Dunedin CBD - Home, Hardware and Electrical – Spend

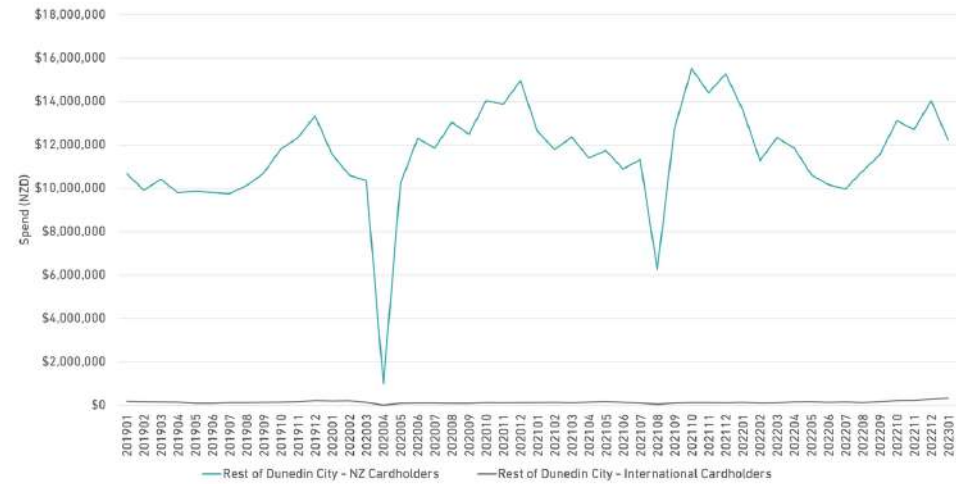


Fig 42. Rest of Dunedin City - Home, Hardware and Electrical – Spend



Fig 41. Dunedin CBD - Home, Hardware and Electrical – Transactions

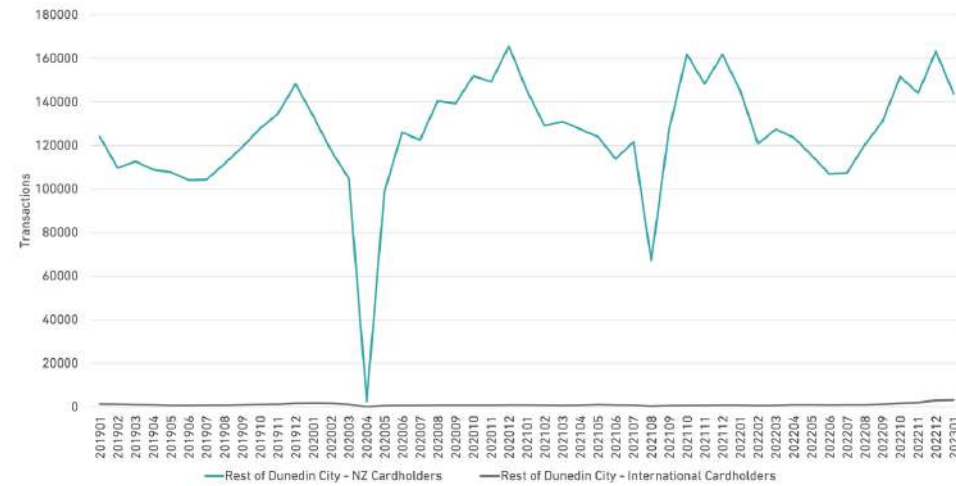


Fig 43. Rest of Dunedin City - Home, Hardware and Electrical – Transactions

Source: Marketview for Dunedin City Council

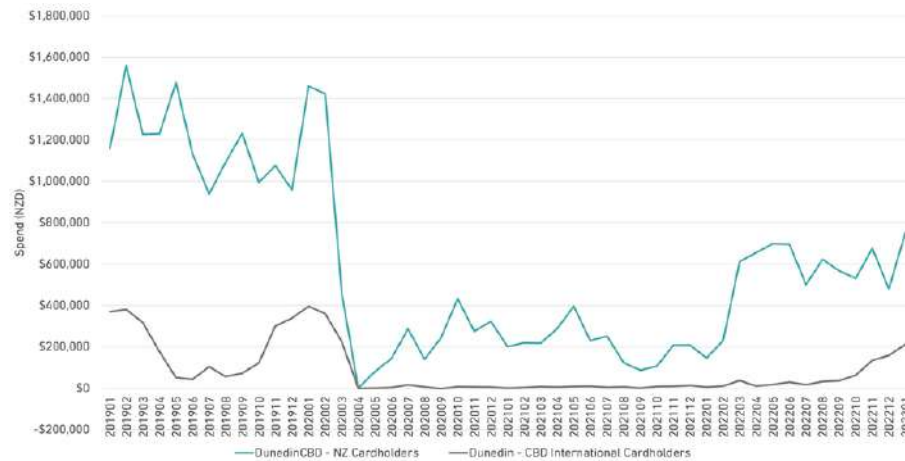


Fig 44. Dunedin CBD - Other Consumer Spending - Spend

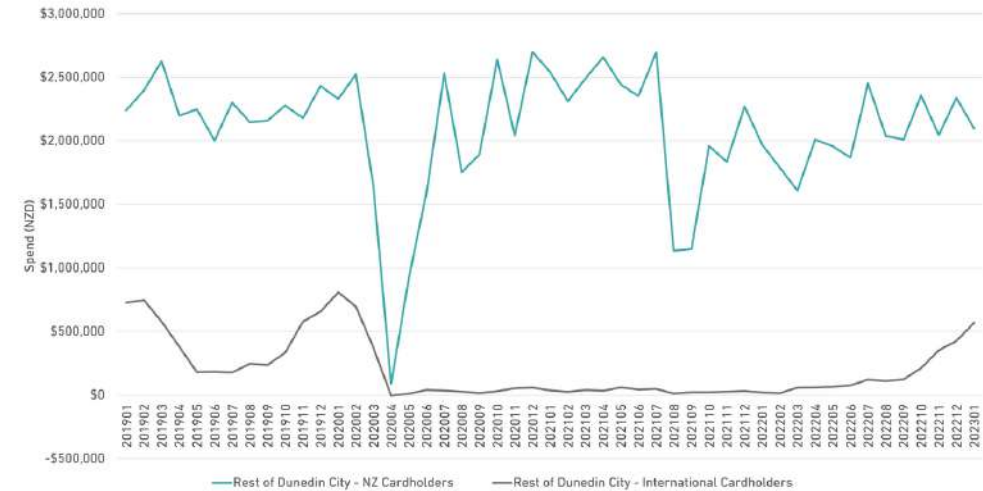


Fig 46. Rest of Dunedin City - Other Consumer Spending - Spend

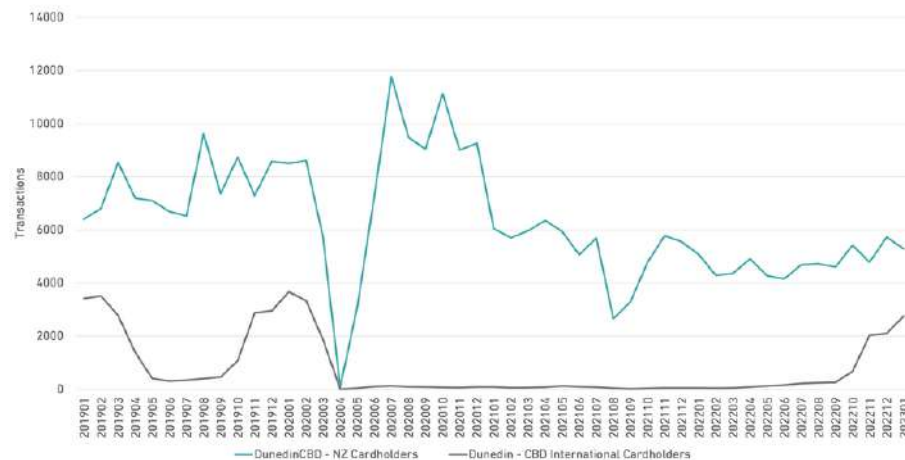


Fig 45. Dunedin CBD - Other Consumer Spending - Transactions

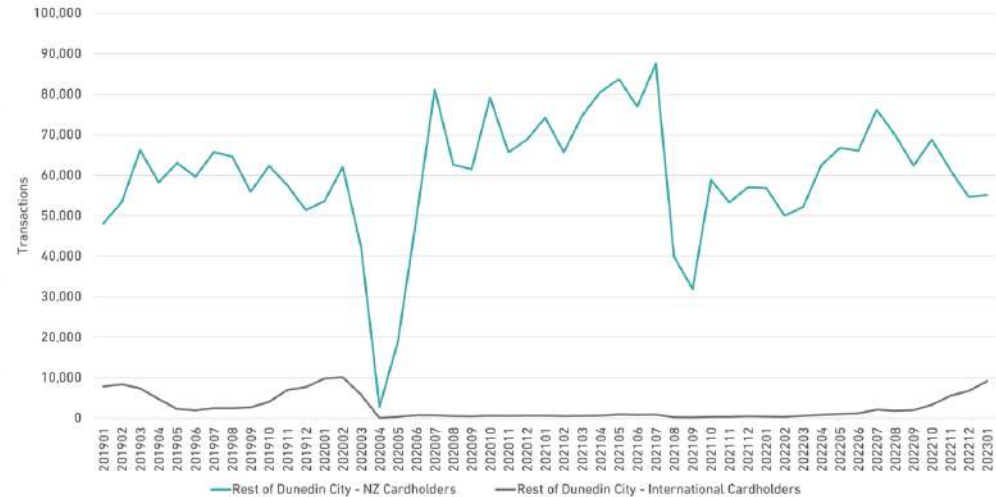


Fig 47. Rest of Dunedin City - Other Consumer Spending - Spend

Source: Marketview for Dunedin City Council

11.0 | END NOTES

- (1) Like and complementary businesses in Dunedin are already beginning to locate close to other synergistic retailers creating confident consumer destinations. Examples include outdoor clothing, optometry, hospitality and other categories. As leases come up for renewal, further clustering activity is anticipated.
- (2) Clustering and co-locations will likely continue toward the recognition of specific areas for their specialties – such as wellness, appearance, fashion, homeware, hospitality, entertainment and other niches. Clustering supports customer convenience and commercial resilience by creating confident consumer destinations.
- (3) Feedback from property professionals and occupiers suggested that some personal, professional services and health and beauty businesses were adding secondary sites or relocating to areas such as South Dunedin in anticipation of increasing access challenges with the New Dunedin Hospital project.
- (4) Projected population growth by 2048 is 9.5% - DCC Significant Forecasting Assumptions.
- (5) Building owners in medium zones have up to 25 years (from 2017) to complete seismic building work, compared to 35 years for owners in low-risk seismic areas. Larger and corporate tenants demand or favour properties that have higher structural ratings, placing priority for landlords to bring properties up to code. George St has seen several high-profile retail tenants exit/relocate due to seismic building ratings.
- (6) Gyms, spas, specialist clinics including dentistry, optical, hearing, pathology and other medical uses are increasingly occupying retail space.
- (7) The percentage of older population in Dunedin will increase 7% by 2054, with corresponding need for products and services specific to this demographic. This will include independent living products, food and nutrition products and services and activity and daycare centres within retail precincts. Source DCC 2020 Post Covid-
- (8) Online spend in NZ lags other benchmark international markets indicating continued headroom for growth in future years.
- (9) Retailers and service providers navigating risk and building resilience through diversification in categories (such as Bunning's move into the pet sector)
- (10) Direct-to-consumer sales models, decreasing margin and reduced servicing requirements of electric vehicles will likely see fewer traditional car retailers.
- (11) Automatic price labelling, self-checkout, just-walk-out transactional functionality,
- (12) Dunedin is already following trends occurring in other main centres where retail space is been increasingly occupied by service and experience categories.
- (13) Te Kaha – Christchurch's new multi-use stadium – scheduled to open in 2026 is likely to see major South Island events prioritised to this venue because of audience, connectivity, accommodation capacity and potential incentives. It may take time for the Forsyth Barr Stadium to regain these major event bookings.
- (14) Feedback from the Dunedin City Destination Management Plan project suggests that building popularity in niche themes and events will likely help the region compete against major new venues that will attract events and visitors in the medium to longer term.
- (15) Larger employers in Dunedin including the University, local and central government and the region's tech sector, have all established flexible working practices that are likely to continue. This places more people in suburban centres creating demand for improved retail and hospitality offers.
- (16) 650 staff are anticipated to occupy the new ACC building – consolidating workforces from elsewhere in the CBD and helping revitalise this part of the city centre.
- (17) George Street's traditional and regenerating character, the concentration of differentiated shopping and hospitality experiences, combined with a contemporary streetscape environment, will further strengthen Dunedin CBD's success for retailers and consumers.
- (18) Based on a January 2019 benchmark.
- (19) CPI-adjusted spending can provide a more accurate picture of changes in prices or spending overtime, by accounting for the impact of inflation on the value of money. It demonstrates the values necessary for retailers to be achieving in order for businesses to be keeping pace with inflation.
- (20) Reserve Bank of NZ website calculator March 2023 – CPI.
- (21) A new Countdown store opened in Mosgiel in 2017, however this replaced a smaller supermarket that previously served this market.
- (22) A Countdown supermarket opened in Balclutha in 2022, breaking a previous dominance from New World in this regional town which has been a source of trade for Dunedin businesses. In the same year Countdown opened new stores in Alexandra along with a metro store in Wanaka. Dunedin's Pak'n'Save was a recognised destination for consumers from Queenstown and Central Otago until 2016, when a Pak'n'Save in Queenstown opened. A year earlier, Countdown opened its first Queenstown store.

- (23) 73.4% of consumers use private vehicles to get to work in Dunedin. (Statistics NZ – Census 2018)
- (24) In 2019 Countdown opened an 8800sqm 'dark-store' dedicated e-commerce fulfillment site in Penrose, Auckland, employing 165 people. In 2020, Countdown opened a dark store at the rear of an existing supermarket in Christchurch. Later that year the company opened another dedicated dark store in a 3,500sqm Wellington industrial site, employing 100 people and capable of serving 7000 orders each week.
- (25) Specialist grocers in other centres include Farro (Auckland), Moore Wilson (Wellington) and Raeward Fresh (Christchurch, Nelson and Queenstown)
- (26) Retailers such as Spotlight occupy older buildings and rely on the area's on-street carparking, by comparison to their other stores around New Zealand which are within retail parks or standalone, dedicated LFR developments.
- (27) Building merchant Placemakers have recently located in Carisbrook, while Bunnings Warehouse 12,500sqm store; located in Strathallan Street, opened in 2010.
- (28) Former warehouse properties have been used for LFR uses in the city fringe. These larger scale, older buildings have limited alternative demand due to the costs of strengthening and conversion and overall return on investment.
- (29) The Warehouse has consolidated from 3 stores into 1 while department store H&J Smith closed their Meridian Mall store in early 2021.
- (30) Limited availability of development land and a high proportion of leasehold land in Dunedin is recognised as a challenge by LFR retailers operating in these areas.
- (31) Kmart's new Dunedin store (catchment 130,000 in Andersons Bay Road 4000sqm and a 940sq m storage. By comparison the Ashburton store (catchment 18,000) is 4500sqm Rotorua (catchment 29,000) is 4400sqm
- (32) Colliers Otago Market Outlook for Otago 2022/23 indicates low stock and high demand for prime and secondary bulk retail space.
- (33) Harvey Norman and M10 Mega both have offsite locations for efficiency and to enable scale. Other retailers are understood to be exploring similar initiatives.
- (34) The activation of the Warehouse Precinct through LFR creates beneficial attraction that supports neighbouring smaller businesses, capable guardianship through their broad and consistent audience and environmental benefits through close, walkable connections to city centre consumers and public transport.
- (35) In 2022, 73% of online spending was with NZ-based businesses as local shoppers prioritised local – continuing a trend they started through COVID. By contrast, in 2019, only 60% of spend was going locally. GST on overseas goods will also factor. NZ Post 2022 Internet shopping report.
- (36) New Zealanders made just under 53.9 million online transactions in 2022, at an average of 147,655 per day. This is 3.1 million fewer transactions than the year before, down 5%. Online transaction levels remained 19% higher than 2020 and 45% higher than pre-pandemic 2019 NZ Post 2022 Internet shopping report.
- (37) Government and self-funded capability and capacity building initiatives during the pandemic saw large numbers of SME and larger retail businesses improve their digital visibility and ecommerce solutions.
- (38) A 2020 NZIER report on the sector indicated UBER Eats, alone, contributed 3.6m to the Otago economy. Other operators are also involved in the food delivery category.
- (39) Popular student discount programmes typically feature national and international offers, that see spending at e-commerce retailers outside of Dunedin.
- (40) Endless aisle is where retailers offer products outside their usual instore or online core offer and these products are fulfilled in a drop-ship model, directly to consumers from the suppliers.
- (41) Continuing challenges in labour and skills recruitment, along with the high operational costs of retail space has seen some NZ and overseas hospitality operators shift toward an online-only presence. This has released dining space for other uses or seen businesses move to dedicated kitchen-only facilities.
- (42) Dunedin's economy will receive a massive boost as a result of this new hospital project, contributing an estimated \$429 million GDP. The build will employ thousands of construction workers over the lifetime of the project – NZ Government
- (43) Trade supply brands such as Wurth and Hilti have centralised distribution into single sites in each Island – shipping products directly to customers and sites, without the need for store fronts.
- (44) Labour hire organisations are emerging users of secondary retail space for visibility and convenience. Several businesses have established already in South Dunedin.

- (45) Les Mills Gym has relocated from the city fringe into the Meridian Centre for improved amenity and accessibility. The former Golden Centre foodcourt has recently been refurbished as an entertainment centre. Spa and beauty services have occupied former retail sites in Wall Street Mall
- (46) Kathmandu is relocating from Great King Street to the Meridian Centre. Merchant shoes and Swannndri have relocated from the Meridian Centre to standalone stores in George Street. Kmart and Vodafone both exited the Meridian Centre citing seismic concerns.
- (47) 3 Wise Men, Chemist Warehouse, Discount Chemist, Flo + Frankie, Moochi and Mountain Warehouse have opened in recent years.
- (48) The Farmers block benefits from major anchors including Farmers Department Store, Whitcoulls and Westpac Bank. The Golden Block is recognised as Dunedin's dominant retail precinct for major brands and is where the city's three malls are located. The Edinburgh Block is largely occupied by owner-operated businesses in finer-grain properties and feature-full frontages. The Knox Block is adjacent to the University and largely serves this audience through boutique retail, hospitality and service businesses.
- (49) In 2018, the regional spend in Dunedin represented 12% of sales – Marketview data for Enterprise Dunedin. Recent data does not identify regional spend.
- (50) Queenstown's 5 Mile Development, Queenstown Central and improved town centre offer, along with Invercargill Central have all seen brands establish locally, that shoppers used to travel to Dunedin for.
- (51) The Knox block has the largest number of current and longer-term vacant tenancies in George Street.
- (52) The Edinburgh block has traditionally attracted start-up and artisanal businesses that have prospered and grown there and to elsewhere in the CBD. Changing distribution models (such as online, pop-up sites and food trucks) have provided alternative to-market solutions for emerging entrepreneurs that have in the past provided succession in the city centre.
- (53) The Farmer's block is the first part of George Street to complete and has been generally well received by businesses and property owners. Major occupier, Farmers has completed an upgrade to their store while adjacent businesses have relocated and reinvested in their stores including Photo Warehouse
- (54) There has been a noticeable shift in New Zealanders' spending patterns over recent years, with consumers choosing to spend more on experiences rather than on traditional retail purchases. This is referred to as the "experience economy," where consumers prioritise spending on experiences such as travel, dining out, events and entertainment over buying material goods.
- (55) Feedback from property owners suggested that major developments have been uneconomic due to high development costs and traditionally low returns.
- (56) Some appointment-based businesses, those with less-mobile customers and other access needs are replicating or looking to establish representation from CBD locations, into South Dunedin.
- (57) A New World supermarket is to be built in Midland Street. This development is a response to zoning changes in Council's Second-Generation Plan which has zoned additional land for retail use.
- (58) While owner-occupiers and some retail categories can sustain higher property and rental costs, the commercial model of large format retail relies on minimising occupancy outgoings or mitigating these through different store formats and operating models – such as Kmart's upcoming development, which is within a smaller footprint than the brand would usually use for a market of Dunedin's size.
- (59) 3 Wise Men, Moochi and Flo and Frankie have recently opened in George Street. Overland Shoes and Swannndri and Vodafone have moved from mall sites onto George Street. Kathmandu are about to move into the Meridian Centre, while Photo Warehouse has relocated within the Farmers block.
- (60) Major banks; BNZ and ANZ have recently mandated minimum in-office workdays for staff.
- (61) Wellington has a similar large government, technology and education makeup – all sectors that have adopted flexible working successfully. Traffic, commuter patterns and spending trends point to an overall 15-20% reduction on pre-COVID levels.
- (62) The former MetroMart store in the Burns Building is now tenanted by an independent living product retailer.

- (63) Mosgiel's last remaining second-hand car yard – Taieri Motor Court, closed in 2022, while there has been continued rationalisation of second-hand dealerships in the Kaikorai Valley including Mikes Cars and Calais Cars
- (64) Some major rental brands in Dunedin act as handling agents for second-tier operators. Car rental operators predominantly locate at Dunedin Airport with little representation in Dunedin city.
- (65) Manufacturers including Mercedes Benz and Daewoo are moving toward an 'agency' model where transactions are encouraged online, Honda and Ford while brands such as Tesla are sold exclusively online.
- (66) BYD's pop-up showroom in the Wall Street Mall is an example of the changing formats in promoting brands and selling vehicles.
- (67) Platforms such as TradeMe and Facebook have encouraged an increasing number of consumer-to-consumer sales. Dunedin second-hand car dealer Mike's Cars is an example of a retailer selling online only, now.
- (68) Dunedin's largest dealerships are located on land directly owned by parent companies including Cook Howlison (Oakwood Properties) and Dunedin Ford (Colonial Motor Group)
- (69) Resource consent documents for the new NPD fuel station in Andersons Bay Road in 2019 stated between 500 and 1000 vehicles would visit the site a day, with 80 vehicles an hour at its peak, or one every 45 seconds.
- (70) Z Energy's The Future of Fuel Demand report, December 2021.
- (71) KFC have pioneered dedicated drive-through only sites in Australia. If successful, these are likely to be replicated in New Zealand. Other brands may follow with similar concepts – reflecting the broader move toward increased capacity requirements for vehicle-based customers.

